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THE W. T. GRIMM & CO.

MERGERSTAT® REVIEW 1984

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INTRODUCTION

Founded in 1951, W. T. Grimm & Co. is one of the oldest firms in the country specializing in the merger, purchase or sale of established companies. We enjoy an international reputation as a leader in developing merger and acquisition transactions in all branches of industry and have implemented hundreds of assignments for owners of companies seeking a merger or sale of their business or for corporations seeking acquisitions.

Instituted in 1963, the W. T. Grimm & Co. Research Department was initially established to educate and to keep the firm's professional staff posted on changing merger trends, prices, P/Es, etc. It maintains a detailed account of every "publicly announced" merger-acquisition-divestiture and has thus far recorded a grand total of 65,556 transactions.

In addition to recording the identities of buyer and seller and other items, the price paid, the form of payment, the price earnings ratio paid, the premium paid over market and the price to book are computed for every transaction disclosing the requisite information. Each transaction is then classified into one of 50 industry categories. Such a data base provides a quick reference to the range of merger prices and ratios with respect to the industry classification of the seller.

Buyer and seller clients of W. T. Grimm & Co. have always received the benefit of this valuable data which guides the client to a merger price indicative of the industry served. The merger data bank contains invaluable information on the buying habits of many companies and is one of the many sources utilized in finding a buyer for a specific type of business.

With the publication of each year's Mergerstat Review, we have demonstrated our commitment to meeting your research needs by continually improving and publishing a more extensive volume. Our 1984 edition follows in the same tradition by further incorporating more data, analyses and commentary. The Industry Highlights chapter, for instance, provides a brief analysis of merger and acquisition activity for each of the top ten industry categories. Transactions in the Wholesale & Distribution and Retail classifications have been further subdivided into categories designated by the type of product sold. Adding to the Foreign Buyers and Foreign Sellers chapters, we provided individual industry and country dollar totals. The Tender Offer data is presented in a new format which allows you to compare the success rates between friendly and hostile offers. The Historical Data Checklist section lists the three largest transactions in each of the 50 W. T. Grimm & Co. industry classifications, along with other types of transaction record holders. We trust the new additions and improvements will result in an even more informative and interesting volume.

The W. T. Grimm & Co. Research Department can prepare special studies and reports on a contract basis tailored to the individual needs of the client. Our Research Department will be pleased to accommodate your requests for information of a specialized nature.

Please feel welcome to contact us with comments or inquiries regarding our research and intermediary services.

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Chairman

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NET MERGER AND ACQUISITION ANNOUNCEMENTS*

1984 — A Ten-Year Record

A ten-year record was established in 1984 when net merger and acquisition announcements totalled 2,543, the highest count since 1974 when 2,861 announcements were recorded. During this ten-year period, net merger and acquisition announcements reached a low of 1,889 in 1980, rebounded to 2,395 and 2,346 in 1981 and 1982, and rose further to 2,533 and 2,543 in 1983 and 1984.

The increase in merger-acquisition activity during 1983 and 1984 originated from a number of sources. The brisk economic recovery and corporate cost control measures produced a surge in profits which greatly improved corporate cash flow and, in turn, provided corporations with the resources to acquire other businesses. For those companies that lacked adequate funds, outside financing was readily available. To offset both the low level of traditional corporate credit demands and the high risk associated with third world lending, banks eagerly placed their excess funds into high yield acquisition loans, while more aggressive banks took equity positions in leveraged buyouts.

Another factor influencing merger-acquisition activity is the availability of undervalued companies. Despite the historic rise in stock prices during 1983, the stock market continues to value assets of companies at a discount from replacement value. The market's decline in 1984 produced more opportunities for corporate bargain hunters.

Conglomerates and multi-industry companies, dissatisfied with their diversification efforts in the 1970s, added to acquisition activity by divesting unrelated or unprofitable units, and reinvesting the proceeds in those businesses management has targeted for growth. Acquisitions that would extend or complement existing core product lines were pursued.

Changing conditions in certain industries, especially oil, health services, retail and broadcasting, fueled business combinations. The availability of many depressed energy company stocks prompted companies faced with high exploration costs to acquire additional reserves at bargain prices. Both the revised Medicare/Medicaid guidelines and the emerging home health care field triggered a consolidation of the health services industry. With internal growth strategies running their course, retail companies opted for growth through acquisition. Anticipating a less restrictive FCC ownership rule and, in turn, a more competitive industry, broadcasters divested radio and/or television stations serving stagnant markets and acquired those in growth areas.

**The W. T. Grimm & Co. Research Department records publicly announced formal transfers of ownership of at least 10% of a company's assets or equity where the purchase price is at least $500,000, and where one of the parties is a U.S. company. These transactions are recorded as they are announced, not as they are completed. Cancelled transactions are deducted from total announcements in the period in which the cancellation occurred, resulting in net merger-acquisition announcements for that period. Cancellation totals appear on page 122. Unless otherwise noted, all merger-acquisition statistics contained in the following pages reflect completed or pending transactions as of the end of the applicable period.*

NET MERGER-ACQUISITION ANNOUNCEMENTS
1963-1984

Year	Number	Year to Year Percentage Change
1963	1,361	
1964	1,950	+43%
1965	2,125	+ 9%
1966	2,377	+12%
1967	2,975	+25%
1968	4,462	+50%
1969	6,107	+37%
1970	5,152	−16%
1971	4,608	−11%
1972	4,801	+ 4%
1973	4,040	−16%
1974	2,861	−29%
1975	2,297	−20%
1976	2,276	− 1%
1977	2,224	− 2%
1978	2,106	− 5%
1979	2,128	+ 1%
1980	1,889	−11%
1981	2,395	+27%
1982	2,346	− 2%
1983	2,533	+ 8%
1984	2,543	—
	65,556	

Source: W. T. Grimm & Co.

Figure 1.

Historical Note

W. T. Grimm & Co. began recording merger-acquisition announcements on January 1, 1963. Net announcements increased in each of the next six years, reaching the current record of 6,107 in 1969. Net announcements decreased during 10 of the subsequent 15 years. The 2,543 announcements of 1984 are 58% below the 6,107 announcements of 1969.

Most economic historians have identified four periods of increased merger-acquisition activity dating back to the turn of the twentieth century:

(1) 1893-1904, activity dominated by same-industry consolidations of many small firms resulting in monopolistic entities. Some believed the Sherman Antitrust Act of 1890 helped to foster these horizontal mergers since the Sherman Act outlawed collusion, but not mergers;

(2) 1915-1929, characterized by horizontal mergers of secondary firms resulting in oligopolies, in which a few large firms dominated an industry;

(3) 1940s, activity consisted of acquisitions of many small, privately held businesses by large companies on a friendly basis. Burdensome estate taxes forced smaller corporate owners to sell out;

(4) mid-1950s-1969 (see WTG statistics from 1963 to 1969), identified as the longest and largest merger-acquisition wave with the highest number of transactions; designated as conglomerate mergers, they were characterized by small and medium-sized companies acquiring other small/medium-sized firms in unrelated industries. The conglomerate merger wave was propelled by the theory of diversification which held that the control of a variety of businesses would lessen the risk of business cycles. Some have argued that the stricter enforcement of antitrust laws prohibiting horizontal and vertical mergers played a role in fueling conglomerate activity. Accounting techniques, namely pooling of interest, however, did encourage conglomerate acquisitions by allowing acquirers to combine their sales and earnings with those of sellers, thereby immediately boosting the earnings per share of the acquirer. This further stimulated the merger movement by enabling the acquirer to purchase more companies with seemingly higher-valued stock. The drop in the stock market during 1970 and the imposition of stricter accounting procedures spelled an end to the conglomerate wave. Conglomerates such as ITT, Textron, Litton Industries and LTV (Ling-Temco-Vought) grew out of this era.

Some analysts and economists have identified a fifth period of intense merger activity beginning in the mid-1970s and continuing into the 1980s, based on record dollars paid for acquisitions. While dollar totals in the past few years have exploded, the number of transactions during the period have not. (See page 6 for dollar total discussion.) Our thoughts on merger-acquisition strategies from the mid-1970s to the present appear in the Total Dollar Value Paid chapter on page 7.

QUARTERLY NET MERGER-ACQUISITION ANNOUNCEMENTS
1974-1984

Year	First	Second	Third	Fourth	Annual
1974	878	791	660	532	2,861
1975	579	626	527	565	2,297
1976	557	713	506	500	2,276
1977	490	571	616	547	2,224
1978	511	596	501	498	2,106
1979	580	537	506	505	2,128
1980	411	445	498	535	1,889
1981	599	585	623	588	2,395
1982	604	594	574	574	2,346
1983	540	595	677	721	2,533
1984	710	627	562	644	2,543

Source: W. T. Grimm & Co.

Figure 2.

The hectic merger-acquisition pace set in the last half of 1983 (1,398 versus 1,135 in the 1983 first half) continued into the 1984 first quarter when net announcements rose 31% to 710 from 540 in the comparable

period a year earlier. During the last ten years, quarterly net announcement totals have exceeded 700 in only three of the 40 quarters. The first quarter rate moderated slightly in the 1984 second quarter with 627 announcements, up 5% from 595 in 1983's second quarter. Acquisition activity dropped even further in the third quarter with 562 transactions, a 17% decline from 677 in the 1983 third quarter. A rebound to 644 announcements in 1984's final quarter was still 11% below the ten-year quarterly record of 721 set in the last quarter of 1983.

By differentiating merger-acquisition announcements among four types of transactions, we can easily identify the source of the 1984 second half decline (1,206 versus 1,337 in the 1984 first half). The subsequent table segregates merger announcements into (1) divestitures, (2) acquisitions of publicly traded companies, (3) acquisitions of privately held companies, and (4) acquisitions of foreign companies by U.S. firms. Each of the last three transaction groupings consists of acquisitions of entire companies, as opposed to the first category, divestitures, which includes the purchase of divisions, subsidiaries, or certain assets of parent companies.

COMPOSITION OF NET MERGER-ACQUISITION ANNOUNCEMENTS
First Quarter 1983-Fourth Quarter 1984

Quarter	Divestitures	Acquisitions of Publicly Traded Sellers	Acquisitions of Privately Owned Sellers	Acquisitions of Foreign Sellers	Net Announcements
1st -1983	194	39	289	18	540
2nd-1983	236	51	282	26	595
3rd -1983	264	40	350	23	677
4th -1983	238	60	395	28	721
1st -1984	258	62	367	23	710
2nd-1984	204	61	343	19	627
3rd -1984	186	56	294	26	562
4th -1984	252	32	347	13	644

Source: W. T. Grimm & Co.

Figure 3.

Acquisitions of privately held companies which in 1983 rose to a high of 395 in the fourth quarter, began a decline in the first quarter of 1984 which lasted through the third quarter with private acquisitions totalling 294, approximately the same level as early 1983. Demand for acquisitions began softening during 1984 as purchase prices became too high. The implementation of long-delayed acquisition programs in 1983 made possible by a strong economic recovery created a seller's market. The keen competition for acquisitions drove the average price earnings multiple paid for companies to 20.2 in the 1984 first quarter from the 15.8 computed for 1983's first quarter. The slight increase in acquisitions of privately held companies in the 1984 fourth quarter may have signaled sellers' willingness to moderate their asking prices. By the end of 1984, the average earnings multiple paid dropped to 17.2.

After rising from 39 in the 1983 first quarter to 62 in the 1984 first quarter, acquisitions of publicly traded companies dropped to 32 in the fourth quarter of 1984. Both the increase and decline were entirely due to the pace of going-private deals, i.e. the sale of publicly traded firms to groups of private investors. Because most going-private transactions are leveraged buyouts, the widespread publicizing of successful LBO deals attracted more lenders and investors. As more money became available, new and inexperienced players and packagers appeared, resulting in riskier deals. Consequently, lenders became more cautious and refused financing.

Divestiture activity dropped from 258 in the first quarter of 1984 to 186 in the third quarter. While the large de-conglomerate type divestitures continued to occur, sales of smaller unprofitable or unrelated businesses may have run their course. Sales of divisions with price tags under $10 million accounted for only 31% of all divestitures disclosing payment terms in 1984, compared with 44% in 1983. Divestitures valued over $50 million, on the other hand, increased from 24% of 1983's divestment activity to 34% in 1984. (See page 79.) The recent flurry of mega-deals has caused a higher rate of larger divestitures. Acquirers burdened with heavy debt loads are selling assets to raise cash. In addition to debt reduction, divestitures of a newly acquired company's units not meeting the acquirer's strategic requirements are also being made. The 1984 fourth quarter increase in divisional sales was largely a result of such strategic and debt reducing divestments.

Acquisitions of foreign sellers (excluding divestitures) numbered only 13 in the 1984 fourth quarter which was the lowest quarterly count in the last two years. U.S. corporations are reluctant to further expand overseas as long as the dollar continues its climb and shrinks the value of their foreign earnings.

Figure 4 provides an annual survey of acquisition activity among the four transaction types since 1976. Numbers of deals are provided for each grouping along with their respective percentages of total activity.

COMPOSITION OF NET MERGER-ACQUISITION ANNOUNCEMENTS
1976-1984

Year	Divestitures	Acquisitions of: Publicly Traded Sellers	Acquisitions of: Privately Owned Sellers	Acquisitions of: Foreign Sellers	Net Announcements
1976	1,204(53%)	163 (7%)	856 (38%)	53 (2%)	2,276
1977	1,002(45%)	193 (9%)	971 (44%)	58 (2%)	2,224
1978	820(39%)	260 (12%)	969 (46%)	57 (3%)	2,106
1979	752(35%)	248 (12%)	1,049 (49%)	79 (4%)	2,128
1980	666(35%)	173 (9%)	988 (52%)	62 (4%)	1,889
1981	830(35%)	168 (7%)	1,330 (55%)	67 (3%)	2,395
1982	875(37%)	180 (8%)	1,222 (52%)	69 (3%)	2,346
1983	932(37%)	190 (7%)	1,316 (52%)	95 (4%)	2,533
1984	900(36%)	211 (8%)	1,351 (53%)	81 (3%)	2,543

Source: W. T. Grimm & Co.

Figure 4. (Composition data available since 1976.)

The four transaction types are further analyzed in their respective chapters. A discussion of foreign sellers begins on page 58, divestitures on page 78, acquisitions of publicly traded acquisitions on page 96, and acquisitions of privately held businesses on page 109.

TOTAL DOLLAR VALUE PAID

The total dollar value paid for the 1,084 transactions providing a purchase price in 1984 rose 67% to a record-breaking $122.2 billion from $73.1 billion a year earlier. There were a record 18 $1 billion-plus transactions aggregating $58.1 billion, almost half the value of all 1984 deals, compared with 11 $1 billion-plus transactions totalling $19 billion, or 26% of the 1983 dollar aggregate. While the majority of 1983's mega-deals were divided between financial services and natural resources, the oil and gas mega-deals of early 1984 soon spread to other industries. The billion dollar plus deals of 1984 consisted of six in natural resources, three in financial services, two in energy services, two in food processing, and one in each of the following industries: computer software, packaging/containers, media/consumer product research, printing, and telecommunications equipment.

Transactions with price tags of $100 million or more (the W.T. Grimm & Co. 100 Million Dollar Club) numbered a record-breaking 200, compared with 138 in 1983. The prevalence of large deals, particularly those valued at one billion dollars or more, raised the average purchase price from $67.9 million to $112.8 million, the largest such increase ever recorded by W.T. Grimm & Co.'s Research Department. The first substantial increment in the average purchase price occurred in 1976 when transactions valued at $100 million or more surged from 14 to 39. (See Figure 5.) The next largest increment, occurring two years later, was also influenced by a buildup of $100 million-plus deals. Finally, as the 1980s ushered in billion dollar transactions, average price increases broke new records, first in 1981 when billion dollar deals shot up to 12 and now in 1984 with a record 18 billion dollar transactions. The median purchase price, which is not skewed as much by the greater number of larger sized deals, rose from $16.5 million to $20.1 million.

AVERAGE & MEDIAN PURCHASE PRICE
1968-1984
(millions of dollars)

Year	Total Dollar Value Paid	Base*	Total**	Number of Transactions Valued at $100MM or More	Number of Transactions Valued at $1,000MM or More	Average Price	Median Price
1968	$ 43,609.0	1,514	4,462	46	-	$ 28.8	na
1969	23,710.9	2,300	6,107	24	-	10.3	na
1970	16,414.9	1,671	5,152	10	1	9.8	na
1971	12,619.3	1,707	4,608	7	-	7.4	na
1972	16,680.5	1,930	4,801	15	-	8.6	$ 2.8
1973	16,664.5	1,574	4,040	28	-	10.6	3.4
1974	12,465.6	995	2,861	15	-	12.5	3.6
1975	11,796.4	848	2,297	14	1	13.9	4.3
1976	20,029.5	998	2,276	39	1	20.1	5.1
1977	21,937.1	1,032	2,224	41	-	21.3	6.6
1978	34,180.4	1,071	2,106	80	1	31.9	8.1
1979	43,535.1	1,047	2,128	83	3	41.6	8.5
1980	44,345.7	890	1,889	94	4	49.8	9.3
1981	82,617.6	1,126	2,395	113	12	73.4	9.0
1982	53,754.5	930	2,346	116	6	57.8	10.5
1983	73,080.5	1,077	2,533	138	11	67.9	16.5
1984	122,223.7	1,084	2,543	200	18	112.8	20.1

*Base: The number of transactions which disclosed a purchase price.
**Total: Net merger-acquisition announcements.

Source: W. T. Grimm & Co.

Figure 5.

The uninterrupted growth in large-scale consolidations together with inflationary pressures have both been factors in the increase of the average and median dollar values. A frequency distribution of purchase prices further demonstrates the upward shift in the median dollar size of transactions. Since 1976, deals valued under $5 million have dropped from 50% to only 25% of all transactions disclosing a purchase price in 1984. The subsequent figure provides the number of transactions within each of six different purchase price ranges along with the respective percentages of all transactions disclosing a purchase price.

VALUE OF NET MERGER-ACQUISITION ANNOUNCEMENTS
1976-1984

	$0.5-5.0MM	$5.1-25.0MM	$25.1-99.9MM	$100.0-499.9MM	$500.0-999.9MM	Over 999.9MM	Base*
1976	498 (50%)	344 (34%)	117 (12%)	35 (4%)	3 (-)	1 (-)	998
1977	451 (44%)	377 (36%)	163 (16%)	39 (4%)	2 (-)	—	1,032
1978	417 (39%)	404 (38%)	170 (16%)	76 (7%)	3 (-)	1 (-)	1,071
1979	387 (36%)	393 (38%)	184 (18%)	69 (7%)	11 (1%)	3 (-)	1,047
1980	306 (35%)	324 (36%)	166 (19%)	80 (9%)	10 (1%)	4 (-)	890
1981	388 (35%)	433 (38%)	192 (17%)	86 (8%)	15 (1%)	12 (1%)	1,126
1982	296 (32%)	338 (36%)	180 (20%)	96 (10%)	14 (2%)	6 (-)	930
1983	321 (30%)	380 (35%)	238 (22%)	104 (10%)	23 (2%)	11 (1%)	1,077
1984	270 (25%)	361 (33%)	253 (23%)	166 (15%)	16 (2%)	18 (2%)	1,084

*Base: Number of transactions which disclosed a purchase price.

Source: W. T. Grimm & Co.

Figure 6.

Historical Note

A striking characteristic of merger activity within the last ten years has been the number of sizable transactions. The number of $100 million-plus acquisitions grew more than 13 times from 1974 to 1984. Unlike the 1960s' conglomerate builders whose growth plans emphasized acquisitions of small and medium sized firms operating in a variety of unrelated businesses, many of the merger participants in the last decade were large, well established concerns acquiring financially healthy and well-managed companies enjoying strong market positions. The acquired companies, in most cases, ranked first or second within their industries.

This long-term increase in large-scale consolidations reflected a widespread corporate management response to the rapidly changing economic environment of the last ten years. Given high inflation rates, the high cost of capital and the low marketplace valuation of assets, merger and acquisition strategies became primary management tools for overcoming declining growth rates. Merger and acquisition plans were, in turn, strongly supported by the development and application of new strategic planning and control methods. Acquisitions enabled acquirers in mature slow-growing industries to add new sources of earnings, resulting in newer and larger conglomerates or multicompanies such as Allied Corp., Allegheny International, Esmark, RCA, and United Technologies.

Hence, with well established companies participating, strategies emphasizing growth through acquisition became admissible courses of action. Corporate takeovers were no longer regarded as the high-flying schemes of 1960s' conglomerates, but as viable components of corporate planning. The respectability was reinforced by the tremendous growth in merger-acquisition departments of not only investment banks, but of law firms, accounting and management consulting firms, and commercial banks. Today, an entire, sophisticated support structure exists for companies considering acquisitions.

COMPOSITION OF NET ACQUISITION ANNOUNCEMENTS
(Millions of Dollars)

TOTAL DOLLAR VALUE PAID

	Total Dollar Value [Base]			
	1981	1982	1983	1984
Divestitures	$16,695.6[366]	$16,050.3[317]	$ 24,173.9[376]	$ 29,379.0[401]
Publicly Traded Sellers	56,569.4[156]	31,501.8[176]	39,471.4[181]	82,731.0[204]
Privately Owned Sellers	8,521.7[581]	5,916.9[420]	8,079.4[500]	8,734.8[445]
Foreign Sellers	830.9[23]	285.5[17]	1,355.8[20]	1,378.9[34]
All Transactions	$82,617.6[1,126]	$53,754.5[930]	$ 73,080.5[1,077]	$122,223.7[1,084]

AVERAGE & MEDIAN PURCHASE PRICE

	Average Purchase Price				Median Purchase Price			
	1981	1982	1983	1984	1981	1982	1983	1984
Divestitures	$ 45.6	$ 50.6	$ 64.3	$ 73.3	$11.4	$12.6	$14.2	$24.6
Publicly Traded Sellers	362.6	179.0	218.1	405.5	67.5	65.2	70.8	90.6
Privately Owned Sellers	14.7	14.1	16.2	19.6	6.0	5.9	7.3	7.6
Foreign Sellers	36.1	16.8	67.8	40.6	3.2	1.9	9.0	4.9
All Transactions	73.4	57.6	67.9	112.8	9.0	10.5	16.5	20.1

Source: W. T. Grimm & Co.

Figure 7.

As indicated in the preceding figure, the total dollar value paid increased in each of the four transaction types. Focusing on the volume of $100 million-plus transactions (100 Million Dollar Club) will demonstrate the effect of such sizable deals on the dollar total for each of the transaction groupings and on the overall dollar total. Figure 8 provides such an analysis by supplying the number of $100 million-plus deals and its dollar value for each transaction type. This is followed by a figure which shows the dollar value of $100 million-plus deals as a percentage of the total value of all deals within that transaction type.

COMPOSITION OF W.T. GRIMM & CO. 100 MILLION DOLLAR CLUB

	Number of Transactions	Dollar Value (Millions)	Percentage of Total Value of All Transactions
	1983		1984
Divestitures	53	$17,532.2	(73%) 83 – $ 22,033.3 (75%)
Publicly Traded Sellers	73	35,218.8	(89%) 95 – 78,612.6 (95%)
Privately Owned Sellers	8	1,867.0	(23%) 19 – 3,447.5 (39%)
Foreign Sellers	4	1,091.5	(81%) 3 – 674.7 (49%)
Totals	138	$55,709.5	(76%) 200 $104,768.1 (86%)

Source: W. T. Grimm & Co.

Figure 8.

Except for acquisitions of foreign sellers, each of the transaction types witnessed more $100 million-plus deals in 1984 than in 1983 leading to an increase in each of the total dollar values. The most dramatic increase occurred among acquisitions of publicly traded companies where the 100 Million Dollar Club aggregate rose 123% to $78.6 billion from $35.2 billion, accounting for 95% of the $82.7 billion tabulated for all acquisitons of public sellers. The two largest transactions in U.S. corporate history, both acquisitions of publicly traded companies, took place in 1984 and contributed $23.3 billion to the public seller dollar total. They were the $13.2 billion takeover of Gulf Corp. by Chevron Corp. and Texaco Corp.'s $10.1 billion purchase of Getty Oil Co. Moreover, 15 of the 18 transactions valued over one billion dollars in 1984 were acquisitions of publicly traded companies.

The other three billion dollar transactions were divestitures. The $22 billion tabulated for the 83 sizable divestments represented 75% of 1984's divestiture total dollar value. The largest divestiture in 1984 was R.J. Reynolds Industries Inc.'s sale of its energy operations to Phillips Petroleum for $1.7 billion, followed by the $1.25 billion unit management buyout of Rheem Mfg. Co., World Color Press Inc., and Uarco Inc., all subsidiaries of City Investing Co. The third largest divestiture was Texaco's $1.1 billion sale of Employers Reinsurance Corp. to General Electric Co.

Acquisitions of privately held sellers with $100 million-plus price tags more than doubled in 1984, increasing from eight to 19 and raising the dollar aggregate from $1.9 billion to $3.4 billion. The $3.4 billion accounted for 39% of the $8.7 billion tabulated for all privately held deals disclosing terms. The largest acquisition of a privately held company in 1984 was the $382 million purchase of Bankers Life & Casualty Co. by I.C.H. Corp.

The 100 Million Dollar Club for 1984 consisted of only three acquisitions of foreign sellers totalling $674.7 million compared with four deals totalling $1.1 billion in 1983. The largest purchase of a foreign company in 1984 was Consolidated Foods Corp.'s $327 million acquisition of an additional 70% in Nicholas Kiwi Ltd. of Australia. This was followed by the $246 million acquisition of Reed Stenhouse Cos. of Canada by Alexander & Alexander Services, Inc., and Dun & Bradstreet Corp.'s $101.7 million purchase of Datastream PLC of the U.K. In 1983 American Express Co. acquired Trade Development Bank Holding in Switzerland for $550 million, a 51% interest in Banyu Pharmaceutical Co. of Japan was acquired by Merck & Co. for $313.5 million, CIGNA Corp. acquired Crusader Insurance in the U.K. for $123 million, and Consolidated Foods purchased the remaining 35% in Douwe Egberts of the Netherlands for $105 million.

All in all, the $104.8 billion paid for the 200 deals in the 100 Million Dollar Club accounted for 86% of the $122.2 billion computed for all transactions disclosing a price in 1984, compared with 76% of 1983's $55.8 billion.

Other notable characteristics of 1984's 100 Million Dollar Club include an increase in both foreign buyers and leveraged deals. Foreign acquisitions of U.S. companies rose from 10 transactions totaling $4.5 billion to 23 totaling $13.1 billion. Leveraged deals increased from 17 at $7.1 billion to 34 at $12.3 billion. Among the 50 W.T. Grimm & Co. industry classifications into which the transactions are categorized, all but six witnessed at least one deal with a $100 million-plus purchase price in 1984, while 11 industry categories in 1983 lacked sizable transactions. In fact, in 1984, there were acquisitions in 42 industries which were among the ten largest transactions in each of those industries' history. (see page 42.)

The $100 million-plus deals in 1984 are primarily the result of three scenarios: (1) major strategic purchases to provide access to needed technology or to broaden product lines and expand markets, (2) aggressive investors acquiring stakes in undervalued and vulnerable companies, and forcing managements to seek friendly merger partners or submit to greenmail, and (3) managements forming investor groups with the aid of leveraged buyout specialists in order to take their corporations private.

General Motors Corp.'s acquisition of Electronic Data Systems Corp. for $2.5 billion, the sixth largest transaction in 1984 and the 15th largest in history, is a perfect illustration of a major strategic move. General Motors, a new participant in the merger-acquisition scene, has developed a strategy entailing the acquisition of cutting-edge technology that will advance the company's carmaking activities as well as provide new revenues. GM plans to use EDS to overhaul its internal communication and data-processing systems and gain a niche in the rapidly growing computer services and software market. GM has already directed EDS to integrate all communication and data processing systems for its new Saturn subsidiary, which is expected to revolutionize automobile manufacturing by using the most advanced manufacturing technology possible.

Among other strategic purchases, International Business Machines Corp. acquired complete control in another corporation for the first time in more than twenty years. IBM's $1.2 billion acquisition of Rolm Corp., the 13th largest transaction of 1984, will provide IBM access to technology which will enable IBM to become a major player in the growing market for communications equipment. Seeking growth in the instrumentation and control equipment field, Combustion Engineering Inc. acquired Impell Corp. for $105.2 million and Jamesbury Corp. for $109 million. Both companies provide products and services for the sophisticated instrument and control systems that coordinate plant production. A non-high-tech example of a major strategic acquisition is the purchase of Milton Bradley Co. by Hasbro Industries Inc. for $352 million. The acquisition brings Hasbro closer to its goal of becoming the top U.S. toy company. Milton Bradley adds games, puzzles and preschool toys to Hasbro's line of stuffed animals, paint-by-number sets, and dolls.

A significant trend in merger-acquisition activity has been the recent emergence of the corporate raider/greenmailer, who purchases blocks of stock in a company and then threatens to initiate an offer for a controlling interest in the company. The target company has two main options: (1) seek a more friendly acquirer, or (2) buy back the raider's stake at a premium to what the raider paid, in effect, paying greenmail. In either case, the raider profits. Such aggressive investors, T. Boone Pickens, Irwin L. Jacobs, Carl Icahn to name a few, have issued takeover threats and initiated hostile offers in previous years. However, the raider/greenmailers' new found power evolved from their ability to quickly raise the necessary funds to execute their threats.

Raider/greenmailers have been able to tap a new financing source. Drexel Burnham Lambert Inc., a New York investment banking firm, has brought its expertise in junk securities (low-rated, highly speculative corporate securities) into the takeover arena. Drexel can quickly raise capital for a raider through private placements of junk securities issued by the raider's "paper" company. Such securities usually promise annual investment returns of 13% to 30%, depending on what the raider can get for selling the assets of the target company. Hence, faced with these well-funded opponents, managements of target companies can no longer dismiss raider threats as bluffs.

Utilizing Drexel's services, T. Boone Pickens Jr. was able to raise $1.7 billion in his attempt to gain control of Gulf Corp., which felt threatened enough to discuss merger offers with other suitors. Gulf was finally acquired by Chevron Corp. for over $13 billion, and Pickens, who pocketed a multi-million dollar profit, could also take credit for instigating the largest deal in history.

St. Regis Corp. was the target of not one, but three raiders. The first was Britain's raider Sir James Goldsmith, who in 1981 had acquired Diamond International and then sold off its assets. The Bass brothers were the second to accumulate shares in St. Regis, which bought off both raiders. Finally, Australian publisher Rupert Murdoch forced St. Regis into accepting Champion International Corp.'s offer of $1.8 billion, creating the largest paper company in the country.

The St. Regis episode demonstrated the catch-22 position of target companies. By submitting to greenmail, a company is advertising its willingness to pay for independence and is, thus, vulnerable to further attacks. Moreover, with every greenmail payment, a company's treasury is further depleted, forcing a target company to eventually seek out a friendly merger partner.

Having paid greenmail to Leucadia National, Avco Corp. later agreed to be acquired by Textron Inc. for $1.2 billion. Textron, as a matter of fact, had just rejected an acquisition offer from Chicago Pacific Corp. Textron, in acquiring Avco, hoped the additional debt on its balance sheet would deter future bidders.

Managements of some target companies, rather than merge with a more compatible suitor, choose to take their businesses private. After repurchasing its shares from the Bass brothers, Blue Bell Inc. management opted to take the company private through a leveraged employee stock ownership plan totalling $522.3 million. Going private is not only used to foil corporate raiders, but is also utilized to deter any unwanted suitors. In the largest going private transaction of 1984, the senior officers of ARA Services, Inc. took their company private for a total value of $873.2 million in order to avoid any further overtures from William Siegel, who was ARA's president from 1969 to 1980.

In addition to implementing defensive measures, management/investor groups continue to buy out their publicly traded companies in order to reap the potential financial rewards of successful leveraged deals. A leveraged buyout offers the managers an opportunity to own a part of the company for little or no personal outlay, while the equity participants are attracted to investment returns of as high as 15 to one.

There were 26 going-private deals valued at $100 million or more in 1984, compared with 14 a year earlier. Larger deals were put together as more financing became available, particularly from commercial banks. Having seen commercial and industrial loan demand slacken because of such factors as the development of the commercial paper market, banks began aggressively participating in the more lucrative area of leveraged buyout financing, where there are spreads of up to 5% over prime.

The strategic purchase, raider/greenmail, and going-private scenarios have, in turn, led to larger sized divestitures, the fourth prevalent characteristic of 1984's $100 million-plus deals. Divestitures were utilized to pay down acquisition-related debt or rationalize the newly acquired entities. Other divisional sales were triggered by managers who chose to sell parts of the company and distribute the proceeds to the shareholders, rather than provide an opportunity for the corporate raider/greenmailer.

After completing the second largest acquisition in history, Texaco made three $100 million-plus divestitures. Texaco sold Employers Reinsurance Corp. to General Electric for about $1.1 billion, the third largest divestiture of 1984. Entertainment Sports Programming Network (ESPN) was sold to American Broadcasting Cos. for $202 million. Both Employers and ESPN were non-oil subsidiaries of the newly acquired Getty Oil. The government of Trinidad purchased Texaco's Trinidad unit (a refinery and oil wells) for $175 million.

The 100 Million Dollar Club of 1984, a listing of 200 transactions begins on page 13. Companies appearing as acquirers on both the 1984 and 1983 lists include General Electric Co., McDonnell Douglas Corp., Gulf & Western Industries Inc., and Phillips Petroleum Co. Esmark Inc. and Enstar Corp. appeared in 1983 as acquirers and were themselves acquired in 1984.

Among the 200 transactions valued at $100 million or more in 1984, 24 made the listing of the 100 largest deals in history. In fact, the 1980s witnessed 83 of the largest 100 deals in history, reflecting the Reagan Administration's "bigness is not badness" approach to merger-acquisition activity.

TOP 100 DEALS IN HISTORY ANNOUNCED IN FOLLOWING YEARS

1968 — 2	1980 — 8
1969 — 1	1981 — 18
1970 — 1	1982 — 12
1975 — 1	1983 — 21
1976 — 2	1984 — 24
1977 — 1	
1978 — 1	
1979 — 8	

A listing of the 100 largest deals in history begins on page 24.

THE W.T. GRIMM & CO. 100 MILLION DOLLAR CLUB
(Completed/Pending Transactions)
1984

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
1.	**Chevron Corp.** [nation's 5th largest oil co.]	**Gulf Corp.** [nation's 6th largest oil co.]	$13,205.6	(2)
2.	**Texaco, Inc.** [nation's 3rd largest oil co.]	**Getty Oil Co.** [integrated oil co.]	10,128.9	(2)
3.	**Mobil Corp.** [nation's 2nd largest oil co.]	**Superior Oil Co.** [crude oil & natural gas producer]	5,725.8	(2)
4.	**Royal Dutch/Shell Group-Netherlands** [world's 2nd largest oil co.]	**Shell Oil Co.**-remaining 30.5% [nation's 8th largest oil co.]	5,467.9	(2)
5.	**Nestle S.A.-Switzerland** [world's largest food co.]	**Carnation Co.** [dairy & food products]	2,885.4	(2)
6.	**General Motors Corp.** [world's largest auto/truck mfr.]	**Electronic Data Systems Corp.** [business information systems design]	2,545.6	(2)
7.	**Beatrice Foods Co.** [dairy/grocery prdts.; chemicals; consumer prdts.]	**Esmark, Inc.** [foods; chemicals; spirits]	2,508.6	(2)
8.	**Kiewit-Murdock Investment Corp.** [Peter Kiewit Sons' Inc., a mining & construction firm, and David Murdock, an investor]	**Continental Group, Inc.** [containers, metal/plastic/paper packaging, insurance]	2,482.0	(2)
9.	**Champion International Corp.** [paper, bldg. prdts., packaging]	**St. Regis Corp.** [integrated forest products]	1,813.7	(2)
10.	**Phillips Petroleum Co.** [international integrated oil co.]	**R.J. Reynolds Industries, Inc.** (Energy Operations) [oil/gas exploration & development]	1,700.0	(1)
11.	**Dun & Bradstreet Corp.** [business information services; publishing; marketing services]	**A.C. Nielsen Co.** [TV ratings service, media & consumer prdt. research]	1,571.2	(2)
* 12.	**Private Group** [includes Kohlberg, Kravis & Roberts, Merrill Lynch Capital Markets, and management of units]	**City Investing Co.** (3 units: Rheem Mfg. Co., World Color Press Inc., Uarco Inc.) [air conditioners & water heaters; commercial printer; business forms]	1,251.0	(1)
13.	**IBM Corp.** [largest mfr. of computers]	**Rolm Corp.**-remaining 77% [telecommunications equipment]	1,245.8	(2)
# 14.	**Sun Banks, Inc.** [Florida bank holding]	**Trust Co. of Georgia** [Georgia bank holding]	1,191.8	(2)
15.	**Textron, Inc.** [aerospace, electronics, industrial & consumer prdts.]	**Avco Corp.** [aerospace, financial & management services]	1,169.6	(2)

The transaction type is indicated for each deal by one of four codes appearing to the right of the purchase price: (1) denotes a divestiture, (2) an acquisition of a publicly traded company, (3) an acquisition of a privately owned company, and (4) an acquisition of a foreign based company.

#Statutory Merger—Companies consolidate to form new entity; there is no buyer and no seller, both companies receive stock in new merged entity; value determined by combining the respective market values of participants.

*Leveraged Buyout—deals which were publicly announced to be leveraged.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
16.	**General Electric Co** [largest mfr. of electrical eqpt.]	**Texaco, Inc.** (Employers Reinsurance Corp.) [property/casualty reinsurance]	$ 1,075.0	(1)
17.	**Schlumberger Ltd.** [oil field services, electronics]	**Sedco, Inc.** [land & offshore drilling]	1,055.9	(2)
18.	**Texas Eastern Corp.** [oil/gas production & refining]	**Petrolane, Inc.** [markets liquiefied petroleum gas]	1,044.5	(2)
* 19.	**Private Group** [led by Donald P. Kelly, Roger Briggs and Oppenheimer & Co.] + Deal terminated in February, 1985	**Northwest Industries, Inc.** [industrial, consumer & chemical prdts.]	993.1	(2)
20.	**American Stores Co.** [operates food, drug & combination stores]	**Jewel Cos.** [operates supermarkets and drugstores]	875.4	(2)
* 21.	**Private Group** [ARA senior management]	**ARA Services, Inc.** [food, transportation, child care and building maintenance services]	873.2	(2)
22.	**Houston Natural Gas Corp.** [integrated gas system]	**Kiewit-Murdock Investment Corp.** (Florida Gas Transmission Co.) [transports natural gas]	800.0	(1)
23.	**Imperial Chemical Industries PLC-Britain** [chemicals, petrochemicals, synthetic fibers]	**Beatrice Cos.** (chemical operations) [high-performance composite materials]	750.0	(1)
24.	**Gulf & Western Industries, Inc.** [diversified industrial & consumer prdts.]	**Prentice-Hall, Inc.** [college textbook publisher]	705.3	(2)
25.	**Standard Oil Co. of Ohio** [all branches of oil industry; copper & related minerals; chemicals]	**Chevron Corp.** (Gulf Corp.'s service stations in the Southeast and a refinery in Louisiana)	690.0	(1)
* 26.	**Private Group** [management]	**Denny's, Inc.** [operate restaurants]	663.7	(2)
27.	**Bergen Brunswig Corp.** [drug & health care distributor]	**National Intergroup, Inc.** [aluminum, steel & iron prdts.; financial services]	565.5	(2)
* 28.	**Private Group** [includes Kohlberg, Kravis and Motel mgmt.]	**City Investing Co.** (Motel 6, Inc.) [chain of hotels]	565.0	(1)
29.	**IC Industries, Inc.** [commercial & consumer prdts.]	**Pneumo Corp.** [aircraft & aerospace prdts.; major food/drug retailer & wholesaler]	560.2	(2)
* 30.	**Private Group** [includes Kohlberg, Kravis, and Malone mgmt.]	**Malone & Hyde, Inc.** [food distribution & specialty retailing]	548.3	(2)
* 31.	**Private Group** [Employee Stock Ownership Plan]	**Parsons Corp.**-remaining 71% [worldwide construction & engineering]	546.9	(2)
* 32.	**Private Group** [officers & heirs of Harte-Hanks' founders]	**Harte-Hanks Communications, Inc.**-remaining 60% [nation's 11th largest newspaper & broadcast chain]	526.3	(2)
* 33.	**Private Group** [employee stock ownership plan]	**Blue Bell, Inc.** [sportswear manufacturer]	522.3	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
34.	**U.S. Steel Corp.** [largest steel producer; oil; chemicals]	**Husky Oil Ltd.-Canada** (Husky Oil Co.-U.S.) [oil/gas expl'n. & prod'n.]	$ 505.0	(1)
35.	**Anschutz Corp.** [mining; oil/gas]	**Rio Grande Industries, Inc.** [Railroad holding: Denver & Rio Grande]	496.4	(2)
36.	**Ralston Purina Co.** [livestock feeds, cereal, tuna]	**ITT Corp.** (Continental Baking Co.) [bread & sweet cakes]	475.0	(1)
* 37.	**Private Group** [includes E.M. Warburg Pincus & Co., Drexel Burnham Lambert, management]	**SFN Cos.** [textbook publisher & broadcasting]	470.5	(2)
38.	**Hanson Trust PLC-Britain** [diversified]	**U.S. Industries, Inc.** [industrial prdts. & eqpt.; clothing; furniture; lighting]	468.9	(2)
39.	**Schlumberger Ltd.** [oil field services]	**Dow Chemical Co.** (50% of Dowell oil-field services business)	440.0	(1)
40.	**Private Group** [led by Irwin L. Jacobs]	**Tidewater, Inc.**-remaining 91% [largest U.S. fleet for servicing offshore oil rigs]	437.4	(2)
41.	**Tenneco, Inc.** [oil/gas; insurance; manufacturing]	**International Harvester Co.** (farm equipment division)	430.0	(1)
42.	**First City Properties, Inc.** [real estate development]	**Scovill, Inc.** [home appliances, locks, valves, pneumatic controls]	425.6	(2)
* 43.	**Private Group** [employee stock ownership plan]	**Scott & Fetzer Co.** [vacuum cleaners; educational prdts.; ind'l. prdts.]	411.4	(2)
44.	**Homestake Mining Co.** [country's largest gold producer]	**Felmont Oil Corp.** [oil/gas; ammonia]	408.6	(2)
45.	**Waste Management, Inc. & Genstar Corp.** [waste services]	**SCA Services, Inc.** [solid & chemical waste services]	407.2	(2)
46.	**CBI Industries, Inc.** [oil/gas drilling; marine construction]	**Houston Natural Gas Corp.** (Liquid Carbonic Corp.) [supplies carbon dioxide to food & beverage industries]	407.0	(1)
47.	**Damson Oil Corp.** [oil/gas]	**Dorchester Gas Corp.** [oil/gas; LP gas]	391.0	(2)
48.	**Houston Natural Gas Corp.** [natural gas]	**Texas Eastern Corp.** (Transwestern Pipeline Co.) [pipeline linking Texas oil/gas fields to California]	390.0	(1)
49.	**Equitable Life Assurance Society of the U.S.** [nation's 3rd largest life insurer]	**Donaldson Lufkin & Jenrette, Inc.** [securities brokerage & money management]	382.7	(2)
50.	**I.C.H. Corp.** [insurance holding]	**Bankers Life & Casualty Co.** [accident & health insurance]	382.0	(3)
51.	**U.S. Gypsum Co.** [major U.S. mfr. of building materials for use in construction, repair and remodeling]	**Masonite Corp.** [leading mfr. of hardboard which is further processed into prdts. such as siding, paneling and roofing]	377.9	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
* 52.	**Private Group** [led by NVF Co.]	**National Can Corp.** [metal, plastic & glass containers]	$ 371.9	(2)
* 53.	**Private Group** [led by Dylex Ltd. of Canada & includes Brooks mgmt.]	**Brooks Fashion Stores, Inc.** [specialty apparel stores]	364.6	(2)
54.	**CBS, Inc.** [broadcasting; publishing; toys]	**Ziff-Davis Publishing Co.** (12 consumer magazines)	362.5	(1)
55.	**American Express Co.** [investment services, insurance, banking]	**Lehman Brothers Kuhn Loeb, Inc.** [investment banking]	360.0	(3)
* 56.	**Private Group** [led by Trump Group & includes mgmt.]	**Pay 'N Save Corp.** [drug, home center & apparel stores]	358.0	(2)
# 57.	**California Portland Cement Co.** [cement, concrete, stone]	**Conrock Co.** [sand & gravel, ready-mixed concrete]	358.0	(2)
58.	**Hasbro Industries, Inc.** [toys & games, stuffed animals]	**Milton Bradley Co.** [games, puzzles, educational toys]	352.0	(2)
* 59.	**Private Group** [led by W.R. Grace & Co. & includes mgmt.]	**National Medical Care, Inc.** [home health care, preventative health care & dialysis services]	351.6	(2)
60.	**Gearhart Industries, Inc.** [oil field services]	**Aetna Life & Casualty Co.** (Geosource, Inc.) [oil field services]	350.0	(1)
61.	**News Corp. Ltd.-Australia** [newspaper & magazine publishing co. controlled by Rupert Murdoch]	**Ziff-Davis Publishing Co.** (12 business publications)	350.0	(1)
62.	**Georgia-Pacific Corp.** [plywood, lumber, paper]	**St. Regis Corp.** (certain forest products assets) [linerboard & paper mill; container division; related timberland]	342.5	(1)
63.	**Kuwait Petroleum Corp.-Kuwait** [oil/gas producer]	**Occidental Petroleum Corp.** (Occidental Geothermal, Inc.) [geothermal steam prod'n.]	340.0	(1)
64.	**Digital Switch Corp.** [telecommunications eqpt.]	**Granger Associates** [digital signal-processing units used in telephone switching]	339.6	(2)
65.	**Consolidated Foods Corp.** [food process'g.; personal care prdts.; household cleaners]	**Nicholas Kiwi Ltd.-Australia** (additional 70%) [processed foods & consumer prdts.]	327.0	(4)
66.	**A.E. Staley Mfg. Co.** [corn & soybean processor]	**CFS Continental, Inc.** [mfrs. & distributes food prdts. to restaurants]	323.6	(2)
* 67.	**Private Group** [includes mgmt., Citicorp Capital, Drexel Burnham]	**Levitz Furniture Corp.** [national furniture retail chain]	317.8	(2)
68.	**Cabot Corp.** [carbon black; oil/gas; metal alloys]	**Pioneer Corp.** (Westar Pipeline) [natural gas transmission lines in the Texas Panhandle & West Texas areas]	315.0	(1)
68.	**Norfolk Southern Corp.** [railroad holding]	**Pepsico, Inc.** (North American Van Lines) [freight carrier & household moving]	315.0	(1)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller
(3) Private Seller
(4) Foreign Seller

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
*	**70. Private Group** [includes Kohlberg, Kravis, and Cole mgmt.]	**Cole National Corp.** [toy, optical, key, cookie & gift shops]	$ 311.3	(2)
*	**71. Private Group** [led by Guardian's president]	**Guardian Industries Corp.**- remaining 57.6% [glass, insulation; film processor]	310.7	(2)
	72. McDonnell Douglas Corp. [aircraft, missiles]	**Tymshare, Inc.** [time share computer services]	305.7	(2)
	73. Trammel Crow Co. [real estate development]	**Jack A. Benaroya Co.** [real estate development]	300.0	(3)
	73. Private Group [led by Reliance Group]	**Days Inn of America, Inc.** [motel chain]	300.0	(3)
	73. Coca-Cola Bottling Co. Consolidated [soft drinks; food service]	**Wometco Enterprises, Inc.** (Wometco Bottling) [soft drink bottling]	300.0	(1)
	76. National City Corp. [bank holding in Ohio]	**BancOhio Corp.** [bank holding in Ohio]	297.0	(2)
	77. VF Corp. [apparel manufacturer]	**Bassett-Walker, Inc.** [sports & athletic wear]	290.0	(2)
	78. Unimar Co. [formed by Allied Corp. & Ultramar PLC of Britain]	**Enstar Corp.**-54% [oil/gas expl'n. & development]	286.0	(2)
	79. K-Mart Corp. [discount variety stores]	**Carter Hawley Hale Stores, Inc.** (Walden Book Co.) [book store chain]	285.0	(1)
	80. Nippon Kokan K.K.-Japan [Japan's 2nd largest steelmaker]	**National Intergroup, Inc.** (50% of National Steel Corp.) [steel producer]	273.0	(1)
	81. Petrie Stores Corp. [women's specialty shops]	**Miller-Wohl Co.** [women's apparel stores]	272.3	(2)
*	**82. Private Group** [unit's management]	**Georgia-Pacific Corp.** (some commodity chemical operations)	270.0	(1)
#	**83. Affiliated Bankshares of Colorado, Inc.** [bank holding]	**Intrawest Financial Corp.** [bank holding]	268.1	(2)
	84. Blount, Inc. [world-wide construction & engineering]	**Omark Industries, Inc.** [saw chain & accessories, stud welding eqpt., log loaders]	267.3	(2)
	85. Midland Bank PLC-Britain [international banking]	**Crocker National Corp.**- remaining 43% [bank holding]	263.9	(2)
	86. Imasco Ltd.-Canada [tobacco; food; retailing]	**Peoples Drug Stores, Inc.** [drug store chain]	263.2	(2)
	87. Federal Paper Board Co. [boxboards, pulp, bleached paperboard]	**Kiewit-Murdock Investment Corp.** (bleached paperboard mill & related operations in Augusta, GA)	260.0	(1)
	88. Boatmen's Bancshares, Inc. [18-bank holding in Missouri]	**Charter Corp.** [27-bank hldg. in Missouri]	252.8	(2)
	89. Distillers Co.-Britain [major distiller & blender of Scotch Whiskey, mfrs. gin, brandy, vodka, yeast and bakers supplies]	**Esmark, Inc.** (Somerset Importers Ltd.) [U.S. importer of Distillers' prdts.]	250.0	(1)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
90.	**Freeport-McMoran Inc.** [oil/gas; sulphur]	**Midlands Energy Co.** [oil/gas expl'n., dev. & prod'n.]	$ 249.9	(2)
91.	**Dow Chemical Co.** [chemicals & plastics]	**Morton Thiokol, Inc.** (Texize Division) [household cleaning prdts.]	247.6	(1)
92.	**Alexander & Alexander Services, Inc.** [world's 2nd largest insurance broker]	**Reed Stenhouse Cos.-Canada** [Canada's largest insurance broker]	246.0	(4)
93.	**Freeport-McMoran, Inc. & Transco Energy Co.** [oil/gas]	**Nu-West Group Ltd.-Canada** (Canadian oil & gas assets)	244.0	(1)
94.	**Prime Motor Inns** [motel chain]	**American Motor Inns, Inc.** [hotel chain; restaurants]	242.5	(2)
95.	**Avon Products, Inc.** [cosmetics, jewelry]	**Foster Medical Corp.** [health services in home-care market]	242.1	(2)
96.	**Private Group** [led by J.H. Whitney & Co.]	**Royal Viking Line, Inc.** [cruise-ship operator]	240.0	(3)
96.	**Private Investor** [Jack Tramiel]	**Warner Communications, Inc.** (Atari, Inc.) [home video games, small computers]	240.0	(1)
* 98.	**Private Group** [led by Victor Posner]	**Royal Crown Cos.** [soft drinks, fast food restaurants, home furnishings]	237.1	(2)
99.	**Xidex Corp.** [disk drives, reader/printers]	**Dysan Corp.** [computer-storage disks]	236.7	(2)
100.	**Joy Manufacturing Co.** [coal mining, oil field & other industrial prdts.]	**ACF Industries, Inc.** (WKM Division) [valves & wellhead parts]	230.0	(1)
*101.	**Private Group** [includes management, First Boston, Kelso & Co.]	**American Sterilizer Co.** [health care equipment]	229.3	(2)
102.	**Allegheny Beverage Corp.** [soft drinks; food service; vending]	**City Investing Co.** (Servomation Corp.) [operate vending machines, food & refreshment services]	225.0	(1)
103.	**Taubman Holdings, Inc.** [real estate development]	**Woodward & Lothrop, Inc.**- remaining 67% [department stores]	222.9	(2)
104.	**Broken Hill Proprietary Co.-Australia** [steel, iron, oil]	**Energy Reserves Group, Inc.** [oil/gas expl'n. & dev.]	212.3	(2)
105.	**Hallmark Cards, Inc.** [nation's largest maker of greeting cards]	**Binney & Smith, Inc.** [Crayola crayons, art materials]	203.8	(2)
106.	**Midlantic Banks, Inc.** [multi-bank holding]	**Heritage Bancorp.** [6th largest bank hldg. in New Jersey]	202.4	(2)
107.	**American Broadcasting Cos.** [TV, radio, publish'g., music]	**Texaco, Inc.** (remaining 85% in ESPN) [largest single cable service]	202.0	(1)
108.	**Walt Disney Productions** [amusement parks, film, TV]	**Arvida Corp.** [develops residential, commercial & industrial properties]	200.0	(3)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
108.	**Telex Corp.** [computer peripheral eqpt.]	**Raytheon Co.** (Raytheon Data Systems) [commercial computer terminals]	$ 200.0	(1)
*108.	**Private Group** [unit's management & Shearson Lehman/American Express]	**American Cyanamid Co.** (Formica plastic laminate business)	200.0	(1)
108.	**Private Group** [led by the Fanjul family]	**Gulf & Western Industries, Inc.** (all sugar operations in Florida & Dominican Republic)	200.0	(1)
112.	**General Electric Co.** [electrical & electronic prdts.]	**Patrick Petroleum Co.** (all oil, gas & related assets)	197.0	(1)
113.	**Hospital Corp. of America** [hospital owner/manager]	**Forum Group, Inc.** (its 14 hospitals) [9 psychiatric & 5 acute-care]	194.0	(1)
114.	**Gillette Co.** [shaving, personal care prdts.]	**Cooper Laboratories, Inc.** (Oral-B Laboratories) [toothbrushes, toothpaste & dental floss]	188.5	(1)
115.	**Hecla Mining Co.** [silver, lead, zinc]	**Ranchers Exploration & Development Corp.** [silver & uranium mining]	187.2	(2)
116.	**First Interstate Bancorp** [multiple interstate bank holding]	**Commercial Alliance Corp.** [commercial finance]	184.3	(2)
117.	**H & C Communications, Inc.**	**Cowles Broadcasting, Inc.** [TV stations]	182.6	(2)
118.	**McGregor Corp.** [mfrs. & sells apparel]	**Faberge, Inc.** [fragrances, cosmetics, toiletries]	179.8	(2)
119.	**Sonat, Inc.** [natural gas PL; oil/gas drilling]	**ITT Corp.** (exploration/production division of Eason Oil)	178.0	(1)
120.	**Litton Industries, Inc.** [defense & marine systems; business & industrial eqpt.]	**Core Laboratories, Inc.**-remaining 90% [petroleum & mineral industry services]	176.2	(2)
121.	**Chemical New York Corp.** [multi-bank holding]	**Continental Illinois Corp.** (credit-card business)	176.0	(1)
121.	**JMB Realty Corp.** [real estate syndicator/developer]	**Aetna Life & Casualty Co.** (Urban Investment & Development Co.) [commercial real estate development]	176.0	(1)
123.	**Public Service Co.** [electric & water utility]	**Southern Union Co.** (Gas Co. of New Mexico) [gas utility]	175.0	(1)
123.	**Bell Atlantic Corp.** [telephone service]	**Management Assistance, Inc.** (Sorbus Service Division) [repairs, maintains & reconditions computers]	175.0	(1)
123.	**Government of Trinidad**	**Texaco, Inc.** (Texaco-Trinidad, Inc.) [refinery, oil wells]	175.0	(1)
126.	**Franz Haniel & Cie. GmbH — W. Germany** [major int'l. trading co. which owns U.S. based Scrivner Inc., a wholesale food dstr.]	**S.M. Flickinger, Inc** [wholesale food distributor]	174.5	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
*127.	**Private Group** [includes Merrill Lynch & mgmt.]	**Axia, Inc.** [steelmaker; silicon chips; catalog sales of lab eqpt.]	$ 172.7	(2)
128.	**Onex Capital Corp.-Canada** [investment co.]	**American Can Co.** (Canadian unit) [metal cans & specialty plastics]	171.0	(1)
128.	**Consolidated Natural Gas Co.** [integrated natural gas system]	**Mapco, Inc.** (U.S. oil/gas assets)	171.0	(1)
130.	**United Merchants & Manufacturers, Inc.** [textiles; apparel; home plastics]	**Jonathan Logan, Inc.** [integrated apparel mfr.]	170.3	(2)
131.	**Private Investor** [Mortimer B. Zuckerman]	**U.S. News & World Report, Inc.** [weekly magazine; typesetting; real estate]	168.5	(3)
132.	**American Protection Industries** [flower-by-wire service]	**Warner Communications, Inc.** (Franklin Mint) [direct mail marketer of porcelain & jewelry]	167.5	(1)
133.	**Trilon Financial Corp.-Canada** [insurance, financial services]	**American Express Co.** (Fireman's Fund Insurance Co. of Canada)	163.5	(1)
134.	**Apache Corp.** [oil/gas]	**Diamond Shamrock Corp.** (all of Continental U.S. oil/gas properties)	160.0	(1)
*134.	**Private Group** [unit's management]	**Dart Drug Corp.** (drugstore division) [operates 73 stores]	160.0	(1)
134.	**Tesoro Petroleum Corp.** [oil/gas]	**Funk Exploration, Inc.** [oil/gas expl'n. & prod'n.]	160.0	(3)
137.	**Gulf Broadcast Co.** [TV/radio stations]	**KTXA-KTXH** [2 TV stations, KTXA-Dallas & KTXH-Houston]	158.0	(3)
138.	**Anderson Clayton & Co.** [food processor]	**General Foods Corp.** (Gaines Pet Foods) [dog food]	156.8	(1)
139.	**Dana Corp.** [auto parts & ind'l. eqpt.]	**Warner Electric Brake & Clutch Co.** [mechanical & electromechanical prdts.]	156.7	(2)
140.	**Private Group** [led by William W. Winspear, former CEO of Chaparral Steel]	**U.S. Steel Corp.** (3 units) [steel siding, steel cord & wire, electric power cables]	150.0	(1)
140.	**R.J. Reynolds Industries, Inc.** [cigarettes, foods, liquor]	**Dr. Pepper Co.** (Canada Dry Corp.) [soda mixers]	150.0	(1)
140.	**Private Group** [Peter Munk and John P. Holmes]	**Goldome Bank for Savings** (Goldome National Corp.) [real estate holdings]	150.0	(1)
*143.	**Private Group** [includes Merrill Lynch Capital Markets & Mgmt.]	**Palm Beach, Inc.** [clothing for men, women & children]	148.3	(2)
144.	**Cosmair, Inc.** [cosmetics & fragrances]	**Warner Communications, Inc.** (Warner Cosmetics) [cosmetics & fragrances]	146.0	(1)
145.	**Placer Development Ltd.-Canada** [mining & minerals; oil/gas]	**Prarie Producing Co.** [oil/gas expl'n. & prod'n.]	142.5	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
*146. **Private Group** [Leandro P. Rizzuto, Conair's president]	**Conair Corp.**-remaining 60% [hair care appliances & prdts.]	$ 142.4	(2)
147. **Society Corp.** [multiple-bank holding-Ohio]	**Centran Corp.** [multiple-bank holding-Ohio]	140.1	(2)
*148. **Private Group** [led by unit's exec. v.p.]	**Aetna Life & Casualty Co.** (product sector of Geosource Inc.) [meters, pumps & valves]	140.0	(1)
149. **Revco D.S., Inc.** [drugstore chain]	**Odd Lot Trading, Inc.** [wholesale/retail close-out merchandise]	139.2	(3)
150. **N.V. Amev — Netherlands** [insurance holding, financial services]	**St. Paul Cos.** (Western Life Insurance Co. and St. Paul Advisers Inc.) [life insurance; mutual fund manager]	137.5	(1)
*151. **Private Group** [unit's management]	**Avon Products, Inc.** (Tiffany & Co.) [jewelers, silversmiths]	135.5	(1)
152. **Hospital Corp. of America** [manages/owns hospitals]	**Health Resources Corp. of America** [health care services]	133.2	(3)
153. **United Artists Communications, Inc.** [theaters; cable TV; real estate]	**General Electric Co.** (General Electric Cablevision Corp.) [12 cable systems in 6 states]	132.0	(1)
154. **Houston Natural Gas Corp.** [integrated gas system]	**Texoma Pipeline Co.** [crude oil transporter]	130.0	(3)
155. **SFN Cos., Inc.** [textbook publisher]	**Channel Nine of Orlando** [WFTV station]	125.0	(3)
155. **CalFed, Inc.** [savings & loan holding]	**Beneficial Standard Corp.** (8 life insurance subsidiaries)	125.0	(1)
155. **SCM Corp.** [paints, chemicals, food]	**Laporte Industries PLC-Britain** (titanium dioxide producing units)	125.0	(1)
*155. **Private Group** [management & employees of Otasco]	**Rapid American Corp.** (Otasco) [retail stores selling home, auto & outdoor merchandise]	125.0	(1)
159. **MGM/UA Entertainment Co.** [films]	**MGM/UA Home Entertainment Group, Inc.**-remaining 15% [licenses & distributes filmed entertainment in pay TV & home video markets]	123.9	(2)
160. **Triton Group Ltd.** [real estate]	**Republic Corp.** [steel; aviation; videotape; graphics]	123.1	(2)
*161. **Private Group** [led by First Boston & includes mgmt.]	**Amerace Corp.** [hoses & tubing; switches; motors; shopping carts]	122.1	(2)
*162. **Private Group** [unit's mgmt.]	**Northwest Industries, Inc.** (Microdot, Inc.) [connecting devices for auto, aerospace, & appliance industries]	121.0	(1)
*163. **Private Group** [led by Kern & Co.]	**Lincoln National Corp.** (Lincoln Nat'l. Development Corp.) [real estate]	120.0	(1)

Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
163.	**National Medical Enterprises, Inc.** [operates hospitals]	**Rehab Hospital Services Corp.** [operates 5 hospitals]	$ 120.0	(3)
164.	**SFN Cos.** [textbook publisher]	**Western Broadcasting Co.** [operates 3 TV & 3 radio stations]	116.0	(3)
*165.	**Gibbons, Green, van Amerongen** [LBO specialist]	**Beatrice Cos.** (food-service eqpt. business) [mfrs. commercial cookware]	116.0	(1)
167.	**Universal Leaf Tobacco Co.** [tobacco; fertilizer; wood prdts.]	**Continental Group** (Lawyers Title Insurance Corp. and Continental Land Title Corp.)	115.0	(1)
168.	**AmSouth Bancorporation** [multiple bank hldg.-Alabama]	**FirstGulf Bancorp** [bank hldg.-Alabama]	114.9	(2)
169.	**Bally Mfg. Corp.** [video game arcades; amusement parks; casinos]	**Marriott Corp.** (Great America theme park in Gurnee, IL)	114.5	(1)
170.	**Superfos AS — Denmark** [fertilizers]	**Universal Leaf Tobacco Co.** (Royster Co.) [makes phosphate fertilizers]	113.0	(1)
171.	**Societe des Ciments Francais-France** [cement]	**Louisville Cement Co.** [portland & masonry cement]	112.5	(2)
172.	**Southwest Gas Corp.** [natural gas]	**Arizona Public Service Co.** (natural gas operations)	112.0	(1)
173.	**Pacific Steel Corp.** [a joint venture between M. Wilkinson, a California businessman, and a Brazilian gov't. controlled iron-ore co.]	**Kaiser Steel Corp.** (Fontana steelworks)	110.0	(1)
173.	**Whitbread & Co.-Britain** [brewery; liquor]	**Beatrice Cos.** (Buckingham Corp.) [distributes Cutty Sark Whiskey]	110.0	(1)
175.	**Allied Corp.** [diversified]	**King Radio Corp.** [aircraft communication, navigation & flight control systems]	109.8	(2)
176.	**Combustion Engineering, Inc.** [industrial equipment]	**Jamesbury Corp.** [valves & associated controls]	109.0	(2)
177.	**Private Group** [management]	**Narragansett Capital Corp.** [venture capital-SBIC]	108.8	(2)
178.	**Times Mirror Co.** [newspapers; TV/radio]	**Call Chronicle Newspapers, Inc.** [newspaper publisher]	108.0	(3)
179.	**Minebea Co.-Japan** [ball bearings; computer parts]	**New Hampshire Ball Bearings, Inc.** [ball bearing prdts.]	107.4	(2)
180.	**Manufacturers Life Insurance Co.-Canada** [Canada's 2nd largest life insurer]	**Lincoln National Corp.** (its 89% interest in Dominion Life Insurance Co.) [11th largest life insurer in Canada]	106.6	(1)
181.	**Private Group** [led by William Farley, a Chicago investor]	**Condec Corp.**-remaining 85% [valve & flow control eqpt.]	105.8	(2)
181.	**Amalgamated Sugar Co.** [refined beet sugar, molasses]	**Medford Corp.**-remaining 97% [lumber & plywood; fiber board]	105.8	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
183.	**SPS Technologies, Inc.** [precision fasteners & material handling eqpt.]	**Ingersoll-Rand Co.** (2 units) [power tools & automated prod'n. systems]	$ 105.3	(1)
184.	**Combustion Engineering, Inc.** [industrial equipment]	**Impell Corp.** [computer-aided engineering, software & mgmt. services]	105.2	(2)
185.	**Private Group** [Bennett S. LeBow]	**Management Assistance, Inc.** (Basic Four Information Systems) [computer systems & data/word processing eqpt.]	105.0	(1)
185.	**AmeriTrust Corp.** [largest bank holding in Ohio]	**Baldwin-United Corp.** (its 92% interest in Central Bancorp.) [bank hldg. in Colorado]	105.0	(1)
187.	**Armstrong Rubber Co.** [tires for replacement]	**Blackstone Corp.** [automotive & industrial heat transfer eqpt.]	104.0	(3)
188.	**Bank of New England Corp.** [bank holding-Boston]	**Maine National Corp.** [one-bank holding]	103.6	(3)
189.	**Pacific Lighting Corp.** [natural gas; oil/gas expl'n.; real estate]	**Presley Cos.** [single family home builder]	102.2	(2)
190.	**Dun & Bradstreet Corp.** [business information services; publishing; marketing services]	**Datastream PLC-Britain** [electronic business information systems]	101.7	(4)
191.	**Edgcomb Steel of New England, Inc.** [distributes steel & aluminum]	**Williams Cos.** (Edgcomb Metals Co.) [carbon steel distributor]	100.0	(1)
192.	**TransCanada Pipelines Ltd.-Canada** [natural gas transmission]	**Rockefeller Group, Inc.** (Wessely Energy Corp.)	100.0	(1)
193.	**Merrill Lynch & Co.** [diversified financial services]	**Cie. Financiere de Paribas-France** (Becker Paribas) [investment banking]	100.0	(1)
194.	**Circle K Corp.** [convenience food stores]	**General Host Corp.** (Little General Stores) [convenience stores]	100.0	(1)
*195.	**Private Group** [led by Chicago businessman, Carl Meitzen]	**Bethlehem Steel Corp.** (Seattle plant)	100.0	(1)
196.	**Pillsbury Co.** [food processor]	**General Host Corp.** (Van de Kamp's division) [frozen fish & entrees]	100.0	(1)
197.	**Pantry Pride, Inc.** [supermarket chain]	**Adams Drug, Inc.** [operates drug stores]	100.0	(2)
198.	**Grambling Energy, Inc.**	**Husky Oil Ltd.-Canada** (U.S. refining & marketing assets)	100.0	(1)
199.	**Private Group** [led by Sanford J. Zimmerman]	**B. Altman & Co.** [dept. store retail chain]	100.0	(3)
200.	**Engelhard Corp.** [specialty chemical & metallurgical prdts.]	**Freeport-McMoran, Inc.** (Freeport Kaolin Co.) [produces kaolin clay prdts.]	100.0	(1)

Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

THE 100 LARGEST TRANSACTIONS IN HISTORY

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
1.	Chevron Corp. Gulf Corp.	$13,205.6	1984
2.	Texaco, Inc. Getty Oil Co.	10,128.9	1984
3.	Du Pont Co. Conoco, Inc.	8,039.8	1981
4.	U.S. Steel Corp. Marathon Oil Co.	6,618.5	1981
5.	Mobil Corp. Superior Oil Co.	5,725.8	1984
6.	Royal Dutch/Shell Group-Netherlands Shell Oil Co.-remaining 30.5%	5,467.9	1984
#7.	Santa Fe Industries, Inc. Southern Pacific Co.	5,099.1	1983
8.	Societe Nationale Elf Aquitaine-France Texasgulf, Inc.	4,293.7	1981
#9.	Connecticut General Corp. INA Corp.	4,211.7	1981
10.	Occidental Petroleum Corp. Cities Service Co.	4,115.6	1982
11.	Shell Oil Co. Belridge Oil Co.	3,653.0	1979
12.	Nestle S.A.-Switzerland Carnation Co.	2,885.4	1984
13.	Fluor Corp. St. Joe Minerals Corp.	2,694.2	1981
14.	Seagram Co. Ltd.-Canada Conoco, Inc. (26%)	2,576.0	1981
15.	General Motors Corp. Electronic Data Systems Corp.	2,545.6	1984
16.	Beatrice Foods Co. Esmark, Inc.	2,508.6	1984
17.	Kuwait Petroleum Corp.-Kuwait Santa Fe International Corp.	2,486.1	1981
18.	Klewit-Murdock Investment Corp. Continental Group, Inc.	2,482.0	1984
#19.	Kraft, Inc. Dart Industries, Inc.	2,400.0	1980
19.	Broken Hill Proprietary Co.-Australia General Electric Co. (Utah International, Inc.)	2,400.0	1983
#21.	Freeport Minerals Co. McMoran Oil & Gas Co.	2,319.9	1980
22.	Sun Co., Inc. Seagram Co. Ltd.-Canada (Texas Pacific Oil Co.)	2,300.0	1980

\# Statutory Merger
* Leveraged Buyout

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
23.	Standard Oil Co. of Ohio Kennecott Corp.	$ 2,061.3	1981
24.	General Electric Co. Utah International, Inc.	1,906.5	1975
#25.	Nabisco, Inc. Standard Brands, Inc.	1,827.1	1981
26.	Champion International Corp. St. Regis Corp.	1,813.7	1984
#27.	Southern Railway Norfolk & Western Railway	1,730.2	1980
28.	Phillips Petroleum Co. R.J. Reynolds Industries, Inc. (Energy Operations)	1,700.0	1984
29.	Mobil Oil Corp. Marcor, Inc. * Mobil acquired 54% in 1974 and remaining interest in 1976.	1,687.2	1974 & 1976
30.	American General Corp. NLT Corp.	1,593.7	1982
31.	Xerox Corp. Crum & Forster	1,572.3	1982
32.	Dun & Bradstreet Corp. A.C. Nielsen Co.	1,571.2	1984
33.	Manufacturers Hanover Corp. RCA Corp. (C.I.T. Financial Corp.)	1,510.0	1983
*34.	Private Group-Metromedia's management Metromedia, Inc.	1,467.9	1983
35.	Dome Petroleum Ltd.-Canada Conoco, Inc. (20%) * Dome acquired 20% of Conoco shares through a cash tender offer. Conoco then agreed to sell its controlling interest in Hudson's Bay Oil & Gas to Dome for $1.68 billion which consisted of $245 million in cash and the 20% of Conoco shares Dome had acquired.	1,430.0	1981
#36.	Schering Corp. Plough, Inc.	1,428.6	1970
37.	Diamond Shamrock Corp. Natomas Co.	1,354.5	1983
38.	RCA Corp. C.I.T. Financial Corp.	1,350.0	1979
39.	Allied Corp. Bendix Corp.	1,334.8	1982
40.	R.J. Reynolds Industries, Inc. Heublein, Inc.	1,302.6	1982
41.	Burlington Northern, Inc. El Paso Co. * Burlington acquired 48% in 1982 and the remainder in 1983.	1,279.6	1982 & 1983
*42.	Private Group-includes management of units City Investing Co. (Rheem Mfg. Co., World Color Press Inc., Uarco Inc.)	1,251.0	1984

\# Statutory Merger
* Leveraged Buyout

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
43.	IBM Corp. Rolm Corp.-remaining 77%	$ 1,245.8	1984
44.	Newmont Mining Corp., Williams Cos., et al Kennecott Copper Corp. (Peabody Coal Co.)	1,200.0	1976
#45.	Sun Banks, Inc. Trust Co. of Georgia	1,191.8	1984
#46.	Mercantile Texas Corp. Southwest Bancshares, Inc.	1,175.6	1983
47.	Baldwin-United Corp. MGIC Investment Corp.	1,174.5	1981
48.	Textron, Inc. Avco Corp.	1,169.6	1984
49.	Exxon Corp. Reliance Electric Co.	1,160.0	1979
50.	American Medical International, Inc. Lifemark Corp.	1,144.5	1983
51.	Phillips Petroleum Co. General American Oil Co. of Texas	1,140.9	1983
52.	Bendix Corp. Martin Marietta Corp. (70%)	1,118.3	1982
53.	General Electric Co. Texaco, Inc. (Employers Reinsurance Corp.)	1,075.0	1984
54.	Schlumberger Ltd. Sedco, Inc.	1,055.9	1984
55.	CSX Corp. Texas Gas Resources Corp.	1,053.5	1983
56.	SmithKline Corp. Beckman Instruments, Inc.	1,045.1	1981
57.	Texas Eastern Corp. Petrolane, Inc.	1,044.5	1984
#58.	Chessie Systems, Inc. Seaboard Coast Line Industries, Inc.	1,037.5	1978
59.	American General Corp. Gulf United Corp.	1,012.0	1983
60.	Xerox Corp. Scientific Data Systems, Inc.	999.9	1969
61.	American Express Co. Shearson Loeb Rhoades, Inc.	943.0	1981
62.	Union Pacific Missouri Pacific Corp.	920.1	1980
63.	Martin Marietta Corp. Bendix Corp. (50%)	892.5	1982
64.	Canadian Pacific Enterprises Ltd.-Canada International Paper Co. (Canadian International Paper Co.)	880.0	1981
65.	American Stores Co. Jewel Cos.	875.4	1984

\# Statutory Merger
* Leveraged Buyout

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
*66.	Private Group-management ARA Services, Inc.	$ 873.2	1984
67.	Cooper Industries, Inc. Crouse-Hinds Co.	846.4	1980
68.	Sun Oil Co. Sunray DX	840.0	1968
69.	Esmark, Inc. Norton Simon, Inc.	835.5	1983
70.	American Express Co. Alleghany Corp. (Investors Diversified Services, Inc.)	829.1	1983
71.	United Technologies Corp. Carrier Corp. * United acquired 49% in 1978 and remaining interest in 1979.	821.7	1978 & 1979
72.	Brown-Forman Distillers Corp. Lenox, Inc.	814.3	1983
*73.	Kohlberg, Kravis, Roberts & Co. Wometco Enterprises, Inc.	810.0	1983
74.	Goodyear Tire & Rubber Co. Celeron Corp.	809.7	1983
75.	International Paper Co. Bodcaw Co.	805.0	1979
76.	Financial Corp. of America First Charter Financial Corp.	804.8	1983
77.	Mobil Corp. International Paper Co. (oil & gas operations of General Crude Co.)	800.0	1979
77.	Texaco, Inc. Standard Oil Co. of California (most European refining & marketing operations)	800.0	1983
77.	Houston Natural Gas Corp. Kiewit-Murdock Investment Corp. (Florida Gas Transmission Co.)	800.0	1984
80.	Occidental Petroleum Corp. Iowa Beef Processors, Inc.	791.4	1981
81.	Petro-Lewis Corp. Du Pont Co. (certain Conoco assets)	772.0	1982
82.	Signal Cos. Wheelabrator-Frye, Inc.	765.4	1982
83.	J. Ray McDermott & Co. Babcock & Wilcox Co.	758.5	1977
84.	Tenneco, Inc. Southwestern Life Corp.	757.3	1979
85.	GTE Corp. Southern Pacific Co. (communication units)	750.0	1982
85.	Imperial Chemical Industries PLC-Britain Beatrice Cos. (chemical operations)	750.0	1984

\# Statutory Merger
* Leveraged Buyout

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
87.	InterNorth, Inc. Belco Petroleum Corp.	$ 749.8	1983
88.	Kroger Co. Dillon Cos.	748.6	1982
89.	LTV Corp. Republic Steel Corp.	744.8	1983
90.	McGraw-Edison Co. Studebaker-Worthington, Inc.	727.8	1979
91.	Loews Theatres Lorrillard Corp.	727.4	1968
92.	Mobil Corp. Esmark, Inc. (TransOcean Oil, Inc.)	720.0	1980
93.	Allied Corp. & Continental Group Supron Energy Corp.	711.9	1982
94.	Williams Cos. Northwest Energy Co.	711.2	1983
95.	Avon Products, Inc. Mallinckrodt, Inc.	709.5	1981
96.	Gulf & Western Industries, Inc. Prentice-Hall, Inc.	705.3	1984
97.	Penn Central Corp. GK Technologies, Inc.	699.6	1981
98.	Standard Oil Co. of Ohio Chevron Corp. (Gulf Corp.'s service stations in the Southeast and a refinery in Louisiana)	690.0	1984
99.	Marmon Group TransUnion Corp.	683.5	1980
100.	Private Group-Marvin Davis Twentieth Century-Fox Film Corp.	683.4	1981

\# Statutory Merger
* Leveraged Buyout

MEDIUM OF PAYMENT

In monitoring the form of payment utilized to execute a transaction, the W.T. Grimm & Co. Research Department classifies the payment medium into four types: (1) cash, which can consist of internal or borrowed funds, (2) stock, common or preferred, (3) combination of cash, stock and/or debt, and (4) debt, which solely refers to notes or debentures issued by the acquiring company to the seller.

In 1984, **cash** regained prominence as the dominant form of payment, reversing 1983's historic shift to stock. Based on the 1,079 transactions for which payment data were available, 465 or 43% were cash deals, a substantial jump from 350 or 32% in 1983. Because real interest rates maintained their high level, sellers preferred cash payments in order to place the cash into high-return instruments such as money market funds.

The exchange of **stock**,on the other hand, dropped from last year's 387 or 35% to the current 281 or 26%. In 1983 stock had become the dominant form of payment for the first time in ten years. (See Figure 9.) The robust stock market of 1983 enabled corporate acquirers to use equity rather than internal or borrowed cash. The Dow Jones Industrial Average in 1984, however, plunged 200 points, falling from a high of 1286.64 in January to a 17-month low of 1086.57 in July.

Stock, in fact, was the dominant payment method in only three of the 50 W.T. Grimm & Co. industry classifications. They were Communications with 83% stock, Office Equipment & Computer Hardware with 54%, and Drugs, Medical Supplies & Equipment with 47%. Because their shares usually trade at higher multiples, corporate acquirers within these industries normally issue stock to the selling company. Another characteristic common to these three industries is their commitment to research and development. Companies with substantial R&D costs, rather than reduce the critical R&D budget, will regularly finance an acquisition with their common or preferred stock.

Combinations of cash, stock and/or debt accounted for 320 or 30% of the transactions, down from 362 or 33%. The majority of combination payments are one of two types, cash and notes or cash and stock. Cash and notes are most often used for divestitures, while cash and stock are used for acquisitions. The cash/stock payment offers advantages to both buyer and seller by combining tax breaks for the seller and minimizing cash outlays for the buyer. The taxable cash portion is usually limited to less than half of the acquisition's purchase price. The stock portion is then tax free or tax deferred to the seller, while the acquirer is able to meet his cash flow needs.

Debt as a sole method of payment was utilized in 13 transactions, compared with nine in 1983.

PAYMENT TRENDS
1964 — 1984

Year	Number (Percent of Deals Disclosing Payment Form)			
	Cash	Stock	Combination	Debt
1964	1,248 (64%)	702 (36%)	—	*
1965	1,436 (67%)	604 (30%)	85 (3%)	*
1966	1,438 (60%)	802 (35%)	119 (5%)	*
1967	1,077 (36%)	1,783 (60%)	115 (4%)	*
1968	1,314 (29%)	2,762 (62%)	386 (9%)	*
1969	1,667 (32%)	2,945 (57%)	569 (11%)	*
1970	1,023 (29%)	1,834 (52%)	575 (16%)	91 (3%)
1971	961 (32%)	1,441 (49%)	514 (17%)	47 (2%)
1972	1,120 (34%)	1,696 (51%)	475 (14%)	37 (1%)
1973	1,113 (41%)	1,172 (44%)	365 (14%)	36 (1%)
1974	805 (48%)	555 (33%)	259 (16%)	53 (3%)
1975	585 (48%)	325 (27%)	285 (23%)	30 (2%)
1976	656 (52%)	327 (26%)	250 (20%)	22 (2%)
1977	663 (54%)	322 (26%)	224 (18%)	29 (2%)
1978	539 (46%)	353 (30%)	273 (23%)	17 (1%)
1979	654 (53%)	323 (26%)	247 (20%)	9 (1%)
1980	522 (47%)	345 (31%)	237 (21%)	17 (1%)
1981	542 (42%)	448 (34%)	301 (23%)	18 (1%)
1982	405 (38%)	317 (29%)	338 (31%)	23 (2%)
1983	350 (32%)	387 (35%)	362 (33%)	9 (—)
1984	465 (43%)	281 (26%)	320 (30%)	13 (1%)

* A separate tally of debt payments began in 1970. Prior to 1970, debt was included in cash payments.

Source: W.T. Grimm & Co.

Figure 9.

Historical Note

The exchange of stock, which was the primary means of payment from 1967 to 1973, has been declining since 1968. Because the Dow Jones Industrial Average had plunged to a low of 577.60 in 1974, corporate acquirers were no longer able to offer favorable stock packages to prospective sellers. As a result, cash became the dominant form and remained so until 1983, when the Dow reached a record high of 1287.20.

Except for acquisitions of foreign sellers, cash payments increased in each of the three transaction types shown in Figure 10, while exchanges of stock declined. Stock, however, continued to be the preferred method of payment for acquisitions of privately held companies.

Contrary to acquisitions of public companies, most purchases of privately held companies are transacted through an exchange of stock. Owners of private concerns choose securities in order to avoid paying a capital gains tax. Unlike a publicly traded concern, where there are many shareholders, a privately held business has one owner or very few holders, usually members of the owner's family. Hence, their concern for tax liability is much greater. Furthermore, in many instances, management/owners remain with the company expecting to contribute to the future growth of the newly merged entity, thereby profiting from the stock's appreciation.

Cash, on the other hand, is the more favored payment method among acquirers of public companies because it requires less disclosure on the part of the buyer. When issuing securities to the selling shareholders, the acquiring company is obliged to disclose ample information on its business operations and financial condition so that the selling holders can determine both the present and potential value of the buyer's securities.

COMPOSITION OF NET ACQUISITION ANNOUNCEMENTS
PAYMENT BREAKDOWN
1981 — 1984

	1981	1982	1983	1984
Divestitures				
Cash	225 (62%)	162 (53%)	113 (45%)	152 (57%)
Stock	27 (7%)	20 (6%)	24 (9%)	15 (5%)
Combination	105 (29%)	119 (39%)	115 (45%)	96 (36%)
Debt	8 (2%)	6 (2%)	2 (1%)	5 (2%)
Acquisitions of Publicly Traded Companies				
Cash	89 (56%)	98 (55%)	94 (51%)	134 (65%)
Stock	38 (24%)	34 (19%)	52 (28%)	34 (16%)
Combination	31 (19%)	44 (25%)	37 (20%)	35 (17%)
Debt	2 (1%)	1 (1%)	1 (1%)	4 (2%)
Acquisitions of Privately Held Companies				
Cash	213 (28%)	137 (24%)	129 (20%)	167 (29%)
Stock	379 (50%)	256 (44%)	306 (48%)	226 (39%)
Combination	159 (21%)	169 (29%)	202 (31%)	180 (31%)
Debt	8 (1%)	16 (3%)	6 (1%)	4 (1%)
Acquisitions of Foreign Sellers				
Cash	15 (60%)	8 (36%)	14 (52%)	12 (45%)
Stock	4 (16%)	7 (33%)	5 (18%)	6 (22%)
Combination	6 (24%)	6 (29%)	8 (30%)	9 (33%)
Debt	— —	— —	— —	— —
All Transactions				
Cash	542 (42%)	405 (38%)	350 (32%)	465 (43%)
Stock	448 (34%)	317 (29%)	387 (35%)	281 (26%)
Combination	301 (23%)	338 (31%)	362 (33%)	320 (30%)
Debt	18 (1%)	23 (2%)	9 (—)	13 (1%)

Source: W. T. Grimm & Co.

Figure 10.

In comparing the forms of payment with respect to the dollar value of the transaction, we found an increase in cash payments for every dollar value category. Figure 11 provides a method of payment breakdown on four dollar value categories. The numbers and their respective percentages represent only those deals which disclosed both a purchase price and payment form.

FORMS OF PAYMENT
COMPARISON BY VALUE OF DEALS
1979 — 1984

	1979	1980	1981	1982	1983	1984
Price Paid Value of $25 Million or Less						
Cash	340 (49%)	271 (46%)	303 (41%)	203 (39%)	156 (31%)	165 (37%)
Stock	230 (33%)	199 (34%)	290 (39%)	151 (29%)	185 (37%)	129 (29%)
Combination	114 (17%)	108 (18%)	130 (18%)	153 (29%)	156 (31%)	145 (33%)
Debt	5 (1%)	11 (2%)	12 (2%)	15 (3%)	4 (1%)	6 (1%)
$25.1 Million-$50.0 Million						
Cash	60 (67%)	56 (55%)	50 (52%)	32 (41%)	40 (41%)	66 (60%)
Stock	13 (15%)	26 (26%)	28 (29%)	18 (23%)	30 (30%)	18 (16%)
Combination	15 (17%)	18 (18%)	16 (17%)	26 (33%)	27 (27%)	26 (24%)
Debt	1 (1%)	1 (1%)	2 (2%)	2 (3%)	2 (2%)	— —
$50.1 Million-$100.0 Million						
Cash	42 (62%)	40 (63%)	37 (54%)	36 (50%)	32 (42%)	59 (65%)
Stock	10 (15%)	12 (19%)	17 (25%)	11 (15%)	14 (18%)	11 (12%)
Combination	15 (22%)	11 (17%)	13 (19%)	25 (35%)	30 (40%)	20 (22%)
Debt	1 (1%)	1 (1%)	1 (2%)	— —	— —	1 (1%)
Over $100 Million						
Cash	36 (50%)	35 (44%)	53 (49%)	53 (54%)	48 (42%)	96 (62%)
Stock	9 (13%)	21 (27%)	20 (18%)	17 (17%)	23 (21%)	18 (11%)
Combination	26 (36%)	22 (28%)	35 (32%)	28 (29%)	43 (37%)	39 (25%)
Debt	1 (1%)	1 (1%)	1 (1%)	— —	— —	3 (2%)

Source: W. T. Grimm & Co.

Figure 11.

INDUSTRY HIGHLIGHTS

The W.T. Grimm & Co. Research Department classifies merger-acquisition announcements into 50 seller-based industry categories. Almost half (1,230 or 48%) of the 2,543 net announcements in 1984 were concentrated in the top ten industry classifications. (See page 40 for a ranking of the 50 industries by the number of transactions.) Among the top ten industries, eight are service oriented, reflecting the increasing importance of services in the U.S. economy as well as the fact that these industries have a history of fragmentation. The only manufacturing category among the top ten, Industrial & Farm Equipment & Machinery, ranked seventh, behind Oil & Gas, a natural resources classification.

Banking & Finance

Banking & Finance, historically the most active seller-based industry of the 50, preserved its top ranking, although its acquisition count dropped 24% to 251 in 1984 from 331 in 1983. Experiencing one of its bleakest years in modern history, much of the banking industry concentrated its efforts on survival. Problem loans in the energy, real estate and agriculture areas coupled with the sobering effect of the Continental Illinois Bank crisis prompted banks to search for cash to increase their loan-loss reserves. Add to that the threat of default by Latin American countries, and you have an industry that was shunned by the capital markets. With their stocks depressed, banks were in no condition to pursue acquisitions. Those that did were regional banks in the North and Southeast which had minimal foreign and domestic energy exposure and were serving strong local economies.

The merger of large regional banks continued into 1984, although at a much less brisk pace than in 1983. The 1984 total dollar value paid for banking acquisitions declined 57% to $5.8 billion (ranked fifth) from 1983's $13.6 billion (ranked first in 1983). (See page 41 for a ranking of the 50 industries by the total dollar value paid.) There were only 12 banking and finance transactions valued at $100 million or more in 1984, compared with 28 in 1983. The largest bank deal of 1984 was the proposed $1.2 billion merger between Orlando, Florida-based Sun Banks Inc. and Atlanta-based Trust Co. of Georgia. The merger would be the third largest transaction in Banking & Finance history. Following the example of the New England states, Georgia, Florida and North and South Carolina have all recently passed laws aimed at allowing banks within the region to merge across state lines. Under the Douglas Amendment to the Bank Holding Act of 1956, a bank is permitted to own a bank in another state, if that state grants permission.

Anticipating the eventual arrival of interstate banking, large regional banks are consolidating in order to compete with the money-center banks, while second-tier banks are combining to keep up with the newly merged regionals. The consensus among bank merger participants is that it will take significant size to compete effectively. Because of the rise in the cost of attracting and paying for new deposits, profit margins are being squeezed. Acquisitions will enable the banking organizations to capitalize on economies of scale. Savings could be achieved through consolidating data processing operations, other back-office operations, even trust management operations. Most important, size will bring higher lending limits and access to the equity and debt markets on more favorable terms.

Wholesale & Distribution

Acquisition activity in second ranked Wholesale & Distribution rose 34% to 143 from 107 transactions in 1983. An orientation toward more service and professionalism among distributors is generating a higher rate of acquisitions. Customers and suppliers are exerting pressure on distributors to become more sophisticated and efficient in their operations such as automation, more service, and larger inventories. To fulfill these demands distributors are merging with larger firms which can offer the necessary capital and professional management assistance, while the acquirers are motivated by a desire to expand into new geographic markets or different types of products. A breakdown of acquisition activity in Wholesale & Distribution is provided in Figure 12.

NET MERGER-ACQUISITION ANNOUNCEMENTS
WHOLESALE & DISTRIBUTION
1981 — 1984

Product Line of Distributor	Number of Transactions			
	1981	1982	1983	1984
Medical & Health Care Products	13	18	24	24
Industrial Products, Supplies & Equipment	19	19	12	17
Business Machines, Computers & Related Products	3	5	6	16
Foods & Groceries	12	16	15	16
Automotive Products	6	4	4	12
Electronic Components & Equipment	10	5	4	11
Other Consumer Goods	7	6	5	8
Construction & Building Products & Supplies	11	4	1	7
Chemical Products	9	9	8	6
Office Supplies & Paper Products	7	7	5	5
Furniture, Home Furnishings & Appliances	5	2	7	5
Recreational Products	6	13	5	5
Electrical Equipment & Products	3	7	3	4
Beverages & Tobacco	12	6	6	4
Agricultural Products & Equipment	1	3	2	3
Totals	124	124	107	143

Source: W. T. Grimm & Co.

Figure 12.

Most of 1984's increase in distribution acquisitions were concentrated in four product lines: construction and building products, automotive products, electronic components and equipment, and business machines and computers. Reflecting the stronger performance of the home construction industry within the last year, distributors serving that industry became attractive acquisition targets. Acquisitions of construction and building suppliers increased sevenfold, rising to seven transactions from one in 1983.

Purchases of automotive products distributors tripled to 12 transactions from four in 1983. A decline in the customer base has brought about a consolidation among automotive products distributors. As the number of gas stations offering auto repair services continues to decline, distributors are combining operations to compete more effectively for fewer customers.

Acquisitions of electronic components and equipment distributors surged 175% to 11 transactions from four in 1983, while activity among distributors of business machines and computers rose 167% to 16 from six transactions. Because major manufacturers of electronic components and computers are beginning to focus more on servicing their biggest customers, the distributors are handling an increasing share of the expanding electronics market. Since the distributors are expected to grow faster than their suppliers, they are consolidating in order to better manage and nurture their growth.

In terms of dollars paid for acquisitions, Wholesale & Distribution rose to 18th from 35th in 1983. The total dollar value paid in Wholesale & Distribution was $1.7 billion, almost five times the $365 million of 1983. There were four $100 million-plus transactions in 1984, compared with only one in 1983. The four large acquisitions in 1984 included the largest Wholesale & Distribution transaction in history. A private management-investor group took food distributor Malone & Hyde Inc. private for $548.3 million.

Miscellaneous Services

Third ranked Miscellaneous Services also witnessed the largest acquisition in its history. Dun & Bradstreet Corp. acquired the media researcher A.C. Nielsen Co. for $1.57 billion, raising the total dollar value paid in Miscellaneous Services to $2.3 billion (ranked 13th) from 1983's $992 million (ranked 21st). The number of transactions in Miscellaneous Services hardly changed from last year, 138 in 1984 compared with 135 in 1983.

Retail

Acquisitions of retailers (ranked fourth) increased 44% to 130 from 90 transactions in 1983. The decline in the rate of new construction of major shopping malls forced expansion-minded retailers to acquire other retail businesses. The recent upturn in consumer spending improved sales and profits of retail companies, enabling them to pursue acquisitions. At the same time, however, a generally depressed stock market lowered the price of many retail stocks which were selling at price earnings ratios of under ten times earnings. With retail stocks undervalued, they became ripe targets for corporate acquirers. Another factor contributing to the takeover appeal of retailers is the large number that have extensive real estate holdings. Because the true value of these properties is almost never reflected in the stock price, retail stocks are attractive real estate plays.

NET MERGER-ACQUISITION ANNOUNCEMENTS
RETAIL

	Number of Transactions			
Type of Retailer Acquired	**1981**	**1982**	**1983**	**1984**
Specialty Other	13	9	20	25
Specialty Apparel	17	23	13	18
Furniture, Home Furnishings & Appliances	5	10	4	15
Supermarkets	10	9	8	12
Hardware & Home Improvement	4	5	6	11
Gas Stations & Other Fuels	3	2	2	11
Automotive Parts & Supplies	4	3	4	8
Discount & Variety	8	3	15	7
Drugstores	7	5	2	7
Home Entertainment & Consumer Electronics	2	2	4	5
Department Stores	3	5	2	4
Convenience Stores	4	1	4	3
Direct Mail	4	5	2	3
Specialty Foods & Beverages	3	4	4	1
Totals	87	86	90	130

Source: W. T. Grimm & Co.

Figure 13.

As a result of retail companies' vulnerability to takeover, some retail managers formed investor groups and took their companies private. Among the 23 acquisitions of publicly traded retail companies during 1984, six were taken private by management-investor groups. In 1983, there were only five acquisitions of publicly traded retailers, one of which was taken private by management. Three of the six going-private retail deals in 1984 were the seventh, eighth, and ninth largest transactions in retail history. Respective company managements bought out Brooks Fashion Stores for $364.6 million, Pay 'N Save Corp. for $358 million, and Levitz Furniture Corp. for $317.8 million.

As indicated in the preceding breakdown, retailers in the Specialty Other classification which includes toys, books, cards and gifts are the most popular acquisition targets. Basic businesses such as department stores and discount operators that have reached maturity focus on other forms of retailing to continue growing. Acquisitions increased in each of the retail classifications except for three: Discount & Variety Stores, Convenience Stores, and Specialty Foods & Beverages. Among the retail categories experiencing acquisition upturns, three had gains of more than 200%. The largest increase in acquisition activity occurred among Gas Stations & Other Fuel retailers which rose 450% to 11 transactions from only two in 1983. Surplus supply and excess capacity in the petroleum industry have triggered consolidations among all branches of the oil industry including refineries, tankers, and even service stations. There were 15 acquisitions of Furniture, Home Furnishings & Appliance stores in 1984, up 275% from four transactions in 1983. Furniture retailers expanded into new geographic markets in order to capitalize on increased housing activity. Drugstore acquisitions increased 250%, rising to seven from two transactions. Drugstores are combining operations to offset increasing competition from mass merchants, supermarkets, and specialty discounters which have been eroding drugstores' profit margins.

The total dollar value paid for retail acquisitions in 1984 surged 348% to $6.7 billion (ranked fourth) from 1983's $1.5 billion (ranked 11th). A substantial increase in large transactions contributed to the dollar surge. Retail transactions valued at $100 million or more numbered 20 in 1984, almost seven times the three $100 million-plus retail deals recorded for 1983. Among the 20 sizable retail transactions of 1984 were the second and third largest deals in retail history. Texas Eastern Corp. acquired Petrolane Inc., a marketer of liquified petroleum gas, for $1.04 billion, and American Stores Co. acquired Jewel Cos., a supermarket chain, for $875.4 million.

Computer Software, Supplies & Services

Although the number of transactions hardly changed in fifth ranked Computer Software, Supplies & Services (118 transactions in 1984 versus 119 in 1983), the total dollar value paid soared 465% to $3.8 billion (ranked sixth) from $666 million (ranked 26th). General Motors Corp.'s $2.5 billion acquisition of Electronic Data Systems Corp., the largest transaction in Computer Software history, accounted for 66% of 1984's Computer Software dollar total. The second largest acquisition in the industry's history, also occurring in 1984, was the $305.7 million acquisition of Tymshare Inc. by McDonnell Douglas Corp. With IBM descending on the software market and with the market rapidly maturing, only those companies offering imaginative products or comprehensive support programs will survive. An industry shakeout will continue to further consolidate the software and services industry.

Oil & Gas

The Oil & Gas industry ranked sixth in the number of transactions (102 versus 111 in 1983) and first in total dollars paid ($43 billion versus $12 billion). More than half of the $43 billion tabulated for 1984 was concentrated in two acquisitions, Chevron Corp.'s $13.2 billion purchase of Gulf Corp. and the $10.1 billion acquisition of Getty Oil by Texaco, the two largest transactions in U.S. oil history and in U.S. corporate history. A decline in the oil industry's domestic resource base and a reduction in oil consumption have driven the industry toward consolidation over the last five years. Because the prospects of success in exploration have been declining, companies supplemented their exploration activities with the purchase of additional reserves. The decline in U.S. oil demand caused a substantial drop in capacity utilization among the industry's refiners, distributors and marketers. Consolidation was pursued to improve operating efficiencies. The persistent oil glut, which has resulted in weak prices and falling profits, has forced companies to cut costs, shut down refineries, and sell off assets.

Industrial & Farm Equipment & Machinery

Seventh ranked Industrial & Farm Equipment & Machinery experienced an 11% decline with transactions dropping from 104 to 93. The total dollar value paid increased slightly to $1.6 billion (ranked 19th) from $1.2 billion (ranked 18th). The $430 million acquisition of International Harvester Co.'s farm equipment division by Tenneco Inc. was the Industrial/Farm Equipment industry's largest transaction of 1984 and the fifth

largest in its history. It is also another example of an industry, namely the manufacturing of farm equipment, forced to consolidate due to reduced demand. The farm equipment industry has had to cope with the worst business conditions since the Depression.

Brokerage, Investment & Management Consulting Services

There were 86 transactions in eighth ranked Brokerage, Investment & Management Consulting Services, up 37% from 63 (ranked 12th) in 1983. The brokerage industry is one of the few industry classifications where acquisition activity increased in each of the last four years. Brokerage acquisitions have increased 87% since 1981 when 46 transactions (ranked 20th) were recorded. Merger-acquisition activity in the last few years has been driven by the financial department-store concept which entails the integration of all types of financial services. In other words, one financial institution such as a brokerage house or an insurance holding company would provide investment management products ranging from unit trusts to commodities accounts, as well as offer banking, insurance and real estate related services. As a result, insurers acquired investment bankers, bank holding companies acquired discount securities brokers, and major retail brokerage houses acquired money managers and institutional brokers.

Such diversification and integration efforts continued into 1984. Moreover, the rapid concentration of the securities business in the hands of a select group of heavily capitalized firms hampered the smaller and midsize brokers and investment bankers in their attempts to obtain outside funds. Consequently, medium sized firms acquired others in order to increase capital and continue to operate in an increasingly competitive industry.

Another factor contributing to 1984's increase in brokerage and investment acquisitions is the plight of the commodity trading business. Two years of disinflation have dampened many commodity markets, leading to an absence of small and amateur investors who normally generate big commissions. In addition, discount brokers have taken a toll on revenues of full-service brokers. To counter the inroads made by discount traders, full-service firms cut their commissions, often more deeply than they were able to reduce overhead, resulting in distress business sales.

Total dollars paid for brokerage and investment firms remained constant, approximately $1.5 billion in both 1984 and 1983. The industry's fifth and seventh largest historical acquisitions were executed in 1984. They were the $382.7 million acquisition of Donaldson, Lufkin & Jenrette by Equitable Life Assurance Society of the U.S. and the $360 million purchase of Lehman Bros. Kuhn Loeb by American Express Co.

Health Services

With a total of 86 transactions, Health Services tied Brokerage, Investment & Management Consulting Services for the eighth position. Like Brokerage, Health Services acquisitions increased 37% from 63 transactions in 1983. Due to government and private efforts to control medical costs, hospital occupancy rates are declining. Hospitals are responding by slashing costs to keep earnings on an upward course. However, cutbacks in staffing, supplies, and purchases of equipment are only short term solutions. To capture a larger market share and increase revenues, hospital management companies are acquiring businesses in such growing alternative-care fields as home health services, nursing homes, urgent-care centers, and rehabilitation and psychiatric hospitals.

The three largest transactions in Health Services during 1984 exemplify such growth targeting strategies. A management-investor group including W.R. Grace & Co. bought out National Medical Care Inc., a home health care concern, for $351.6 million, which was the third largest transaction in the Health Services industry. While not a hospital chain, Avon Products Inc., which needs to pursue new growth opportunities, entered the home-care market with its $242.1 million acquisition of Foster Medical Corp. Fourteen hospitals, nine of which were psychiatric hospitals, were divested by Forum Group Inc. to Hospital Corp. of America for $194 million.

Broadcasting

Acquisitions in tenth ranked Broadcasting rose 38% to 83 from 60 transactions (ranked 14th) in 1983. Throughout 1984, the industry awaited a less restrictive Federal Communications Commission rule governing the ownership of television and radio stations. In a July 26, 1984 decision, the FCC relaxed its 7-7-7 rule — the prohibition against anyone owning more than seven TV, seven AM, and seven FM stations. The July decision raised the number of stations from 7 to 12 by 1990, after which all restrictions would be dropped. On August 2, however, a Senate Committee voted to prevent the FCC from implementing the rule change. Protesting that the new rule would further tighten the networks' near-monopoly on national advertising and program distribution, Congress moved to cut off agency funding if the rule took effect. On December 19, the FCC adopted a compromise ruling which permits broadcasters to own as many as 12 stations (12 TV, 12 AM, 12 FM), as long as their combined audience reach is less than 25% each of all television viewers and radio listeners.

Although the rule change wasn't adopted until December, broadcasters were preparing for some type of change throughout the year. Anticipating a more competitive industry because of the relaxed ownership rule, broadcasters divested stations serving stagnant markets and acquired those in growth areas. At the same time, newcomers to the industry and midsize broadcast groups moved quickly with their acquisition plans in order to get a head start on the larger broadcast companies which were already at the limit. Once the rules were relaxed, the large broadcasters with seven stations would have bid on desirable stations, resulting in much higher prices.

Another segment contributing to the acquisition increase in the Broadcasting category is cable television. Cable is developing into a two-tier industry consisting of newer franchises in mostly urban areas and older systems. The older cable systems are enjoying rising revenues due to a stable customer base and declining costs. Cable operators with urban franchises, on the other hand, are struggling with high operating costs. In fierce competition to win urban franchises, operators have often had to agree to provide services that are currently reducing their profits. Such cable operators have been divesting urban franchises or attempting to renegotiate terms of the franchises. In the meantime, older cable operators, flush with cash, are expanding into new market areas.

The Broadcasting total dollar value fell 49% to $1.9 billion (ranked 16th) from 1983's $3.7 billion (ranked fourth). In 1983, the largest broadcasting acquisition at that time took place. It was the management buyout of Metromedia Inc. for $1.5 billion.

Significant increases in merger-acquisition activity were also recorded for other industry classifications including Chemicals, Paints & Coatings where transactions rose 44% to 79 (ranked 11th) from 55 (ranked 17th) in 1983. Because commodity chemicals producers are plagued by excess plant capacity, slow-changing technology, and foreign competition, they are diversifying into the more profitable specialty chemical market and divesting bulk oriented product lines. Apparel acquisitions in 1984 numbered 34 (ranked 26th), up 42% from 24 (ranked 34th) in 1983. Apparel makers, cash-rich after record earnings in 1983 but with stock prices still depressed, became attractive takeover targets. In fact, the largest apparel transaction in history was a successful attempt to remain independent. In 1984, managers and employees took Blue Bell Inc. private for $522.3 million, avoiding the takeover passes of the Bass brothers. Acquisitions increased 20% in Printing & Publishing, rising to 67 transactions (ranked 13th) from 56 (ranked 16th) in 1983. Experiencing escalating sales and rising profits, publishers, particularly of educational textbooks and specialty magazines, have become appealing takeover candidates. The four largest Printing & Publishing acquisitions of 1984 were also the largest in the industry's history. Gulf & Western Industries Inc. acquired Prentice-Hall Inc. for $705.3 million. Management took Harte-Hanks Communications private for $526.3 million. SFN Cos. was also taken private by management for $470.5 million. Ziff-Davis Publishing sold 12 consumer magazines to CBS Inc. for $362.5 million.

Industries experiencing substantial declines in acquisition activity include Drugs, Medical Supplies & Equipment where transactions dropped 29% to 61 (ranked 16th) from 1983's 86 (ranked 8th). With hospitals cutting costs in response to the new Medicare guidelines, hospital supply and drug companies are faced with plunging sales and profits and a structurally changed health-care system. Rather than pursue acquisitions, most companies in this industry were devising new strategies focusing on serving the patient instead of the doctor and hospital. Food Processing transactions numbered 58 (ranked 17th), down 22% from 74 (ranked 10th) in 1983. While activity in 1983 was concentrated among small and midsize firms, the food industry in 1984 underwent some major consolidations. The total dollars paid for food companies in 1984 swelled more than six times the 1983 aggregate, rising to $7.1 billion (ranked second) from $1.2 billion (ranked 17th). The two largest acquisitions in Food Processing history occurred in 1984 and contributed $5.4 billion or 76% of the industry's dollar total. To achieve its goal of obtaining 30% of worldwide revenues from U.S. operations by 1985, Nestle S.A. of Switzerland acquired Carnation Co. for $2.9 billion. Esmark Inc. was acquired by Beatrice Foods Co. for $2.5 billion. Cash-rich after shedding unrelated businesses, the large food products companies are reinvesting the proceeds into other large food operations.

A ranking of the 50 W.T. Grimm & Co. industry categories by the number of transactions appears on the next page. A ranking by total dollar value paid is on page 41, which is followed by an industry breakdown of $100 million-plus transactions.

RANKING OF INDUSTRY CLASSIFICATIONS

NUMBER OF TRANSACTIONS

Industry Classification of Seller	Number of Transactions (Rank) 1981	1982	1983	1984	Four Year Cumulative
Banking & Finance	335 (1)	426 (1)	331 (1)	251 (1)	1,343
Wholesale & Distribution	124 (2)	124 (3)	107 (5)	143 (2)	498
Miscellaneous Services	107 (3)	126 (2)	135 (2)	138 (3)	506
Retail	87 (7)	86 (5)	90 (7)	130 (4)	393
Computer Software, Supplies & Services	87 (8)	75 (8)	119 (3)	118 (5)	399
Oil & Gas	76 (9)	80 (7)	111 (4)	102 (6)	369
Industrial & Farm Equipment & Machinery	92 (5)	90 (4)	104 (6)	93 (7)	379
Brokerage, Investment & Management Consulting Services	46 (20)	56 (11)	63 (12)	86 (8)	251
Health Services	51 (16)	44 (18)	63 (12)	86 (8)	244
Broadcasting	47 (19)	47 (17)	60 (14)	83 (10)	237
Chemicals, Paints & Coatings	62 (11)	55 (12)	55 (17)	79 (11)	251
Instruments & Photographic Equipment	62 (11)	51 (14)	53 (19)	71 (12)	237
Printing & Publishing	54 (15)	48 (16)	56 (16)	67 (13)	225
Electronics	60 (13)	63 (9)	81 (9)	67 (13)	271
Insurance	89 (6)	81 (6)	67 (11)	66 (15)	303
Drugs, Medical Supplies & Equipment	55 (14)	58 (10)	86 (8)	61 (16)	260
Food Processing	69 (10)	52 (13)	74 (10)	58 (17)	253
Office Equipment & Computer Hardware	27 (32)	26 (32)	59 (15)	55 (18)	167
Electrical Equipment	48 (18)	49 (15)	49 (21)	50 (19)	196
Primary Metal Processing	34 (24)	25 (33)	39 (25)	43 (20)	141
Fabricated Metal Products	39 (23)	37 (23)	55 (17)	42 (21)	173
Leisure & Entertainment	51 (16)	42 (19)	49 (21)	41 (22)	183
Plastics & Rubber	18 (41)	27 (30)	44 (23)	39 (23)	128
Miscellaneous Manufacturing	30 (28)	41 (21)	51 (20)	37 (24)	159
Transportation	31 (25)	40 (22)	36 (26)	36 (25)	143
Apparel	24 (36)	17 (37)	24 (34)	34 (26)	99
Household Goods	27 (32)	22 (34)	30 (28)	30 (27)	109
Building Products & Materials	28 (30)	27 (30)	26 (33)	29 (28)	110
Construction Contractors & Engineering Services	41 (21)	34 (24)	42 (24)	29 (28)	146
Toys & Recreational Products	28 (30)	33 (25)	23 (35)	28 (30)	112
Stone, Clay & Glass	25 (35)	17 (37)	27 (31)	27 (31)	96
Real Estate	31 (25)	30 (29)	28 (30)	27 (31)	116
Automotive Products & Accessories	19 (39)	22 (34)	10 (47)	26 (33)	77
Communications	27 (32)	42 (19)	33 (27)	24 (34)	126
Valves, Pumps & Hydraulics	31 (25)	10 (46)	20 (37)	23 (35)	84
Packaging & Containers	23 (37)	16 (40)	29 (29)	22 (36)	90
Aerospace, Aircraft & Defense	17 (42)	15 (41)	15 (42)	22 (36)	69
Beverages	19 (39)	31 (27)	11 (45)	21 (38)	82
Agricultural Production	17 (42)	8 (48)	13 (43)	19 (39)	57
Energy Services	107 (3)	32 (26)	21 (36)	19 (39)	179
Conglomerate	7 (48)	14 (43)	13 (43)	18 (41)	52
Furniture	8 (47)	13 (44)	18 (39)	17 (42)	56
Paper	11 (45)	15 (41)	11 (45)	16 (43)	53
Electrical, Gas, Water & Sanitary Services	10 (46)	12 (45)	27 (31)	13 (44)	62
Textiles	23 (37)	17 (37)	16 (41)	12 (45)	68
Construction, Mining & Oil Field Machinery & Equipment	30 (28)	19 (36)	20 (37)	12 (45)	81
Mining & Minerals	40 (22)	31 (27)	18 (39)	12 (45)	101
Toiletries & Cosmetics	1 (50)	9 (47)	10 (47)	11 (48)	31
Timber & Forest Products	13 (44)	5 (50)	7 (49)	7 (49)	32
Autos & Trucks	7 (48)	6 (49)	4 (50)	3 (50)	20
Totals	2,395	2,346	2,533	2,543	9,817

Source: W. T. Grimm & Co.

RANKING OF INDUSTRY CLASSIFICATIONS

DOLLAR VALUE PAID

(millions)

Industry Classification of Seller	Dollar Value (Rank) 1981	1982	1983	1984
Oil & Gas	$22,921.6 (1)	$ 9,165.5 (1)	$12,075.8 (2)	$ 42,981.8 (1)
Food Processing	3,800.0 (5)	3,075.2 (5)	1,163.6 (17)	7,094.8 (2)
Conglomerate	809.4 (18)	3,973.6 (4)	2,745.1 (7)	6,982.9 (3)
Retail	1,844.4 (9)	1,948.1 (6)	1,489.0 (11)	6,673.2 (4)
Banking & Finance	4,204.4 (4)	5,605.3 (3)	13,628.3 (1)	5,846.3 (5)
Computer Software, Supplies & Services	438.7 (32)	195.5 (39)	666.1 (26)	3,766.4 (6)
Packaging & Containers	235.8 (37)	171.8 (41)	1,297.5 (15)	3,089.4 (7)
Insurance	7,862.5 (3)	5,717.8 (2)	2,966.1 (5)	3,005.9 (8)
Printing & Publishing	155.9 (41)	129.4 (43)	892.9 (23)	2,863.9 (9)
Chemicals, Paints & Coatings	1,256.1 (14)	1,011.5 (14)	1,080.1 (19)	2,629.9 (10)
Leisure & Entertainment	2,150.4 (8)	1,082.1 (11)	1,797.4 (9)	2,580.7 (11)
Energy Services	3,303.5 (6)	665.2 (21)	66.4 (47)	2,546.2 (12)
Miscellaneous Services	801.0 (19)	859.8 (17)	991.7 (21)	2,323.9 (13)
Timber & Forest Products	685.4 (24)	499.8 (25)	13.8 (50)	2,297.2 (14)
Electrical Equipment	375.7 (34)	603.7 (22)	513.1 (30)	1,978.4 (15)
Broadcasting	1,060.1 (15)	787.2 (19)	3,747.1 (4)	1,917.9 (16)
Health Services	1,553.4 (11)	1,049.4 (13)	1,999.4 (8)	1,687.9 (17)
Wholesale & Distribution	761.3 (20)	358.1 (29)	364.9 (35)	1,651.8 (18)
Industrial & Farm Machinery & Equipment	1,822.3 (10)	1,485.6 (10)	1,151.4 (18)	1,635.6 (19)
Brokerage, Investment & Management Consulting Services	2,766.5 (7)	860.9 (16)	1,455.3 (12)	1,460.3 (20)
Apparel	156.8 (40)	230.8 (36)	138.1 (44)	1,392.2 (21)
Transportation	475.3 (31)	1,074.4 (12)	5,254.6 (3)	1,251.8 (22)
Real Estate	419.4 (33)	303.4 (31)	829.3 (25)	1,132.2 (23)
Primary Metal Processing	482.8 (30)	167.4 (42)	1,340.6 (13)	1,073.8 (24)
Beverages	748.6 (22)	1,880.9 (8)	1,548.4 (10)	853.9 (25)
Office Equipment & Computer Hardware	754.4 (21)	389.1 (28)	1,059.9 (20)	820.0 (26)
Aerospace, Aircraft & Defense	164.4 (39)	1,577.1 (9)	887.4 (24)	812.1 (27)
Household Goods	637.9 (26)	390.6 (27)	1,300.0 (14)	802.7 (28)
Construction Contractors & Engineering Services	547.6 (27)	256.0 (34)	423.3 (34)	799.7 (29)
Stone, Clay & Glass	523.0 (28)	463.8 (26)	499.0 (32)	764.4 (30)
Toys & Recreational Products	130.5 (44)	203.4 (37)	37.3 (48)	762.3 (31)
Electrical, Gas, Water & Sanitary Services	11.6 (48)	751.1 (20)	511.1 (31)	737.1 (32)
Drugs, Medical Supplies & Equipment	707.5 (23)	1,915.1 (7)	904.1 (22)	708.1 (33)
Building Products & Materials	96.9 (46)	75.2 (46)	268.4 (38)	621.2 (34)
Valves, Pumps & Hydraulics	486.7 (29)	65.9 (47)	281.6 (36)	556.0 (35)
Toiletries & Cosmetics	— (50)	203.2 (38)	115.3 (45)	516.4 (36)
Plastics & Rubber	232.6 (38)	48.5 (49)	148.7 (43)	462.4 (37)
Agricultural Production	132.6 (43)	235.6 (35)	204.0 (40)	453.1 (38)
Paper	923.8 (16)	595.4 (23)	269.7 (37)	387.0 (39)
Construction, Mining & Oil Field Machinery & Equipment	114.3 (45)	190.9 (40)	548.5 (28)	376.2 (40)
Mining & Minerals	10,850.6 (2)	355.2 (30)	2,946.2 (6)	346.7 (41)
Miscellaneous Manufacturing	151.2 (42)	271.4 (33)	91.8 (46)	336.4 (42)
Electronics	1,497.0 (12)	552.9 (24)	471.9 (33)	290.1 (43)
Instruments & Photographic Equipment	1,384.6 (13)	80.1 (45)	513.8 (29)	196.8 (44)
Automotive Products & Accessories	300.9 (36)	109.4 (44)	29.0 (49)	190.4 (45)
Fabricated Metal Products	821.2 (17)	299.3 (32)	154.7 (42)	180.4 (46)
Furniture	5.9 (49)	39.8 (50)	249.4 (39)	169.5 (47)
Communications	660.7 (25)	929.6 (15)	563.2 (27)	123.1 (48)
Textiles	83.9 (47)	792.2 (18)	1,212.7 (16)	91.0 (49)
Autos & Trucks	306.5 (35)	61.3 (48)	173.5 (41)	2.3 (50)
Totals	$82,617.6	$53,754.5	$73,080.5	$122,223.7

Source: W. T. Grimm & Co.

100 MILLION DOLLAR-PLUS TRANSACTIONS

INDUSTRY BREAKDOWN

Industry Classification of Seller	Number of Transactions			
	1981	1982	1983	1984
Oil & Gas	16	12	19	26*
Food Processing	4	7	5	6*
Conglomerate	2	8	5	12*
Retail	4	5	3	20*
Banking & Finance	8	12	28	12*
Computer Software, Supplies & Services	–	–	1	5*
Packaging & Containers	1	–	3	3*
Insurance	12	10	6	8*
Printing & Publishing	–	–	4	7*
Chemicals, Paints & Coatings	2	2	2	5*
Leisure & Entertainment	5	1	5	7*
Energy Services	2	1	–	5*
Miscellaneous Services	2	3	2	2*
Timber & Forest Products	2	2	–	3*
Electrical Equipment	–	2	1	3*
Broadcasting	4	2	6	6*
Health Services	4	5	4	5*
Wholesale & Distribution	1	–	1	4*
Industrial & Farm Machinery & Equipment	4	4	2	5*
Brokerage, Investment & Management Consulting Services	4	3	2	4*
Apparel	–	1	–	4*
Transportation	–	4	1	2*
Real Estate	1	1	2	5*
Primary Metal Processing	1	–	2	4*
Beverages	2	4	4	3*
Office Equipment & Computer Hardware	3	1	3	3*
Aerospace, Aircraft & Defense	–	2	2	2*
Household Goods	2	1	2	2*
Construction Contractors & Engineering Services	1	1	1	2*
Stone, Clay & Glass	1	1	1	3*
Toys & Recreational Products	–	–	–	2*
Electrical, Gas, Water & Sanitary Services	–	2	1	3*
Drugs, Medical Supplies & Equipment	2	5	2	2
Building Products & Materials	–	–	1	1*
Valves, Pumps & Hydraulics	1	–	2	3*
Toiletries & Cosmetics	–	1	–	3*
Plastics & Rubber	1	–	–	1*
Agricultural Production	–	1	1	1*
Paper	1	2	1	1*
Construction, Mining & Oil Field Machinery & Equipment	–	1	2	1*
Mining & Minerals	10	1	3	1
Miscellaneous Manufacturing	–	1	–	1*
Electronics	3	2	–	–
Instruments & Photographic Equipment	1	–	1	–
Automotive Products & Accessories	1	–	–	1*
Fabricated Metal Products	2	1	–	1*
Furniture	–	–	–	–
Communications	2	1	1	–
Textiles	–	3	5	–
Autos & Trucks	1	–	1	–
Totals	113	116	138	200

* Industry witnessed one or more transactions in 1984 which were among the ten largest transactions in each industry's history.

The three largest transactions (restricted to $100 million–plus deals) in each industry's history are listed on pages 133 through 142.

Source: W. T. Grimm & Co.

FOREIGN BUYERS

Reversing a two-year pattern of decline, foreign acquirers increased their activity in the U.S. acquisition market in 1984 with 151 transactions, up 21% from 125 in 1983. The number of acquisitions of U.S. companies by foreign corporations in 1984 had been running fairly even with year-earlier levels until the fourth quarter when activity rose 53% to 58 foreign acquirers from 38 in 1983's fourth quarter. An average of 30 foreign buyers was recorded for each of the first three quarters in 1984. The U.S. dollar's continued upward march during the latter part of 1984 may have forced potential foreign buyers to expedite their acquisition plans, thereby forestalling any further increases in the dollar. On the other hand, the direction of the dollar may be becoming a minor factor for foreign managements considering acquisitions. More foreign corporations are beginning to disregard currency exchange rates and placing a much higher emphasis on entering the U.S. market, which they consider essential to meeting their growth objectives.

Since 1981, foreign buyers have basically been reluctant to acquire U.S. businesses because of the economic environment in their own countries. The widespread and deep recession experienced by foreign economies forced foreign corporations to intensify all their efforts on preserving some level of earnings growth in their home businesses. Having rationalized their operations and tightened costs and expenses, foreign companies are beginning to pursue U.S. acquisitions more actively than they have in the last couple of years. Earnings are up substantially, and now foreign businesses are trying to guarantee their success for the longer term by reinvesting their profits in the U.S. Furthermore, the economic recovery that began in Europe during 1984 was less than robust when compared to GNP growth of the U.S. and Japan. In 1984, GNP, adjusted for inflation, rose 2.3% on average for the 19 European nations in the Organization for Economic Cooperation and Development, versus 6.8% for the U.S. and 5.8% for Japan. By purchasing U.S. companies, European businesses are hoping to capitalize on this country's potential for sustained growth. A U.S. purchase would have a strong impact on a foreign company's profits, especially after the dollars are converted into weaker currencies.

When monitoring foreign acquisitions of American firms, the W. T. Grimm & Co. Research Department includes both foreign purchases of domestic companies and purchases of foreign-based subsidiaries of U.S. corporations. Totals for the last six years are provided below.

	Foreign Purchases of		
Year	U.S. Domestic Companies	Foreign-Based Units of U.S. Companies	Total Foreign Buyers
1979	202	34	236
1980	159	28	187
1981	185	49	234
1982	117	37	154
1983	101	24	125
1984	129	22	151

Source: W. T. Grimm & Co.

Figure 14.

Note the high number of foreign subsidiaries sold by American companies during 1981. During that year the Canadian government instituted a policy of reducing foreign ownership of Canadian energy properties. Canadian-owned energy companies were given certain advantages over foreign-owned concerns. One of the advantages was the subsidization of exploration and development costs. Because such policy actions depressed the value of U.S. energy holdings in Canada, American oil and gas companies sold some or all of their Canadian assets to Canadian concerns.

The total dollar value paid for U.S. companies by foreign entities in 1984 more than doubled the 1983 aggregate, rising from $5.9 billion (tabulated on the 59 transactions disclosing a purchase price) to $15.1 billion (based on 85 transactions). Contributing to the dollar surge were $100 million-plus deals which increased to 23 from 10. The two largest foreign buyer deals in 1984 accounted for $8.4 billion or 56% of the total $15.1 billion. They were Royal Dutch Shell's (Netherlands) tender for the remaining 30.5% of Shell Oil Co. for $5.5 billion, the largest foreign acquisition of a U.S. company in history, and Nestle's (Switzerland) acquisition of Carnation Co. for $2.9 billion, the third largest in history. The increase in sizable foreign purchases reflects the growing importance of the U.S. market to large foreign corporations. Because their home markets are mature and therefore offer very little growth prospects, large foreign companies are implementing long-term strategies that will count upon U.S. markets to generate anywhere from 25% to 50% of all their revenues. For instance, through its acquisition of Carnation, Nestle will be able to achieve its aim of obtaining 30% of its worldwide revenues from U.S. operations by 1985.

In these large transactions, the value of the dollar is secondary to the primary motive of long-term development and access to U.S. markets. Nevertheless, some of the larger foreign acquirers are shielded from the dollar's strength because they can finance acquisitions with dollars from their existing U.S. operations. Foreign buyers are also able to raise U.S. funds through equity offerings. Known as American Depository Receipts (ADRS), equity offerings by foreign companies have been increasing in the last couple of years. During the final months of 1984, Cadbury Schweppes of Britain completed a $102 million ADR issue and indicated it would use the proceeds for further expansion into the U.S. market.

Figure 15 provides annual dollar totals for foreign buyers since 1975, along with the number of transactions since 1972, the first year in which W.T. Grimm & Co. began monitoring foreign acquisitions of U.S. companies. The $18.8 billion tabulated in 1981 should be regarded as an aberration due to the substantial number of high-priced deals in the natural resources industry. The largest foreign buyer deal that year was the $4.3 billion acquisition of Texasgulf, Inc. by Societe Nationale Elf Aquitaine of France, the second largest foreign acquisition of a U.S. company in history. As indicated earlier, 1981 also witnessed numerous divestitures of Canadian oil and gas holdings by U.S. companies. The price paid values for these transactions averaged about $200 million. The largest such divestiture that year was the $539.5 million purchase of a 25% interest in Suncor, Inc., a Canadian subsidiary of Sun Co., by Ontario Energy Resources Ltd.

FOREIGN ACQUISITIONS OF U.S. COMPANIES
1972 — 1984

Year	Total Transactions	Transactions Valued at $100MM or more	Transactions Valued at $1,000MM or more	Total Dollar Value Paid (billions of dollars)	Base*
1972	88	–	–	#	
1973	143	5	–	#	
1974	173	4	–	#	
1975	184	2	–	$ 1.6	84
1976	178	5	–	2.4	87
1977	162	3	–	3.1	92
1978	199	17	–	6.3	134
1979	236	11	–	5.8	142
1980	187	22	–	7.1	110
1981	234	24	4	18.8	126
1982	154	15	–	5.1	81
1983	125	10	1	5.9	59
1984	151	23	2	15.1	85

Data not collected in that year.
* Base: Number of transactions disclosing purchase price.

Source: W.T. Grimm & Co.

Figure 15.

Historical Note

A number of factors stimulated the influx of foreign purchasers during the 1970s. Aside from the fact that foreign corporations are attracted to the relative political and economic stability of the United States, foreign managements also began to utilize acquisition strategies to invest in growth sectors, secure desired diversification, and expand into new markets, and what better market than the world's largest. More important were the effects of U.S. trade deficits which started to appear during the '70s. Anxious about tariff and quota barriers, foreign companies established investments in the U.S. that would provide an entry for their product lines rather than have to export them to this country.

The U.S. dollar's weakness in the 1970s was also a spur to foreign purchases of U.S. businesses. It not only made it less expensive for foreign companies to acquire U.S. concerns, but it also lessened their overall operating costs due to lower U.S. labor costs. From 1975 to 1980, relative labor costs in the U.S. declined, despite the rising U.S. inflation rate, because the dollar was falling. For instance, by 1980, the hourly wage rate in West Germany was 24% more than in the U.S. The U.S. labor cost advantage, however, was lost over the past few years becuase of the dollar's steady climb. In 1983, the average hourly wage rate in West Germany was 12% less than in the U.S. Both the strength of the U.S. dollar and the economic slowdown overseas deterred foreign buyers in the last couple of years. The number of foreign acquirers since 1981 decreased for two consecutive years, falling to only 125 foreign buyers in 1983, the lowest level since the 88 transactions recorded in 1972.

Figure 16 presents a distribution of foreign buyer transactions by the price paid value along with the average and the median purchase price. The price paid distribution and average/median values for all transactions are also provided for comparative purposes. The increase in $100 million-plus foreign buyer transactions, as in all acquisitions, raised the average and median purchase prices paid for U.S. companies. The foreign buyers' average purchase price rose to $178 million from $100.5 million in 1983, while the

median price increased to $49.6 million from $36.5 million. Note, however, the sizable difference in the median purchase price between foreign acquisitions and all acquisitions, suggesting that foreign concerns make larger purchases. Because foreign acquirers aim at penetrating the U.S. market, they tend to buy larger companies with established market shares. A case in point is Saatchi & Saatchi, Britain's largest advertising agency. Having decided upon a global strategy encompassing not only advertising, but also market research and consulting services, Saatchi & Saatchi in November of 1984 agreed to acquire the Hay Group, a Philadelphia-based business consultant, for at least $80 million. Just one month earlier, Saatchi also agreed to purchase Yankelovich, Skelly & White, a well known market research subsidiary of Reliance Group Holdings Inc., for $13.5 million.

FOREIGN ACQUISITIONS OF U.S. COMPANIES
PRICE PAID DISTRIBUTION
1979 — 1984

Price Paid Value	Number (Percent of Transactions Disclosing Price) 1979	1980	1981	1982	1983	1984
$5 million or less	25 (18%)	14 (13%)	27 (21%)	14 (17%)	6 (10%)	6 (7%)
$5.1- 25.0 million	63 (44%)	43 (39%)	44 (35%)	23 (28%)	20 (34%)	27 (32%)
$25.1-99.9 million	43 (30%)	32 (30%)	31 (25%)	29 (36%)	23 (39%)	29 (34%)
$100 million or more	11 (8%)	21 (18%)	24 (19%)	15 (19%)	10 (17%)	23 (27%)
Base	142	110	126	81	59	85
Average Purchase Price (millions of dollars)	$41.3	$64.3	$149.0	$63.0	$100.5	$178.0
Median Purchase Price (millions of dollars)	15.6	23.5	15.0	32.4	36.5	49.6

PRICE PAID DISTRIBUTION OF ALL ACQUISITIONS

$5 million or less	387 (36%)	306 (34%)	388 (35%)	296 (32%)	321 (30%)	270 (25%)
$5.1-25.0 million	393 (38%)	324 (36%)	433 (38%)	338 (36%)	380 (35%)	361 (33%)
$25.1-99.9 million	184 (18%)	166 (19%)	192 (17%)	180 (20%)	238 (22%)	253 (23%)
$100 million or more	83 (8%)	94 (11%)	113 (10%)	116 (12%)	138 (13%)	200 (19%)
Base	1,047	890	1,126	930	1,077	1,084
Average Purchase Price (millions of dollars)	$41.6	$49.8	$73.4	$57.8	$67.9	$112.8
Median Purchase Price (millions of dollars)	8.5	9.3	9.0	10.5	16.5	20.1

Base: Number of transactions disclosing purchase price.

Source W.T. Grimm & Co.

Figure 16.

Both the average price earnings ratio paid by foreign buyers and the premium paid over the market price of U.S. companies are compared to the average P/E and premium paid for all transactions in Figure 17. As the averages demonstrate, foreign acquirers paid higher premiums and P/Es during the late 1970s, when foreign corporations were very aggressive in their pursuit of U.S. companies. In the 1980s, the difference in premiums and P/Es between foreign buyer and all transactions became less evident, particularly when comparing 1984's results. It has been suggested by foreign bankers that foreign acquirers were ill-advised and too eager to enter the American marketplace during the late '70s, resulting in overpriced acquisitions

that have not met the expectations of the buyers. Today, however, foreign purchasers are adopting more selective and cautious acquisition strategies, and thus, paying prices that are more in line with overall pricing trends.

AVERAGE PREMIUM PAID OVER MARKET
COMPARISON OF FOREIGN & ALL ACQUISITIONS
1976 — 1984

	1976	1977	1978	1979	1980	1981	1982	1983	1984
Foreign/U.S. Acquisitions	41.6%	49.7%	50.5%	56.9%	55.1%	46.6%	42.1%	45.7%	40.2%
(Base)	(17)	(38)	(47)	(49)	(32)	(27)	(19)	(12)	(21)
All Acquisitions	40.4	40.9	46.2	49.9	49.9	48.0	47.4	37.7	37.9
(Base)	(168)	(218)	(240)	(229)	(169)	(166)	(177)	(168)	(199)

AVERAGE PRICE/EARNINGS RATIO PAID
COMPARISON OF FOREIGN & ALL ACQUISITIONS
1976 — 1984

	1976	1977	1978	1979	1980	1981	1982	1983	1984
Foreign/U.S. Acquisitions	12.7X	15.9X	14.0X	20.9X	13.6X	14.4X	15.7X	18.6X	17.8X
(Base)	(19)	(37)	(45)	(55)	(44)	(33)	(23)	(16)	(25)
All Acquisitions	15.1	13.8	14.3	14.3	15.2	15.6	13.9	16.7	17.2
(Base)	(200)	(292)	(349)	(333)	(243)	(230)	(193)	(189)	(246)

Base: Number of transactions providing necessary data with which to compute average.

Source: W.T. Grimm & Co.

Figure 17.

More than half of 1984's increase in foreign acquisitions of U.S. companies was concentrated in two industries, Oil & Gas and Retail. Oil & Gas acquisitions numbered 16, up from nine in 1983. Most of the current Oil & Gas transactions have been U.S. international oil companies divesting their foreign marketing and refining operations. The industry's problem of excess refining capacity has been more acute overseas, especially in Europe. More foreign government regulation and the U.S. dollar's strength have added to the burden of American refiners and marketers with operations overseas. Retail acquisitions increased to 12 from the previous year's five transacitons. Due to their recent rise in earnings and strong capacity to generate cash, retail companies were prime acquisition targets for foreign corporations keen on benefiting from the robust U.S. economic recovery.

In view of the depressed condition of the U.S. banking industry during 1984, there was only one foreign buyer, Britain's Midland Bank PLC, which agreed to acquire the remaining 43% of loss plagued Crocker National Corp. for $263.9 million in adjustable-rate preferred stock. In the hopes of salvaging its U.S. investment, Midland also agreed to infuse Crocker with fresh capital. In the three years prior to 1984, Banking & Finance was always among the top ten industries attracting foreign buyers. Because foreign banks are often constrained from expanding in their own countries by their size and competitive position, they began to establish major investments in this country. By acquiring U.S. banks, foreign banks were also able to follow their corporate customers, of which many had already expanded into the U.S. market.

The number of foreign buyers in each of the 50 W.T. Grimm & Co. industry classifications appears on page 49, followed by a dollar breakdown on page 50. Note the absence of foreign acquirers in the Broadcasting category. Foreign interests are prohibited from owning U.S. broadcasting companies.

A country breakdown of 1984's foreign purchasers begins on page 51. Totals for the previous eight years are also provided. A country breakdown by dollars for the last five years appears on page 52.

Among the countries that appeared in 1983, only four, Australia, the Netherlands, Finland, and Italy, made fewer acquisitions than the previous year. Finland's drop from five to two transactions was due to the absence of one company, the Huhtamaki Group, which accounted for three of the five acquisitions in 1983. Substantial gains were recorded for Sweden and Norway. Following only two acquisitions within the eight years prior to 1984, Norway made five purchases in 1984, the largest of which was the $45 million acquisition of Ireco Chemicals, an industrial explosives subsidiary of Gulf Resources & Chemical Corp., by Dyno Industrier AS of Oslo, Norway. Dyno, a manufacturer of dynamite, was founded by Alfred Nobel. Swedish buyers rose from three to eight, the highest number since the eight recorded in 1980. The largest Swedish transaction in 1984 was AB Volvo's purchase of an additional 15.7% interest in Hamilton Oil Corp. for $78 million. Volvo now owns 47.2% of Hamilton. Two countries, Bahrain and Trinidad, appeared for the first time in 1984. Texaco Inc. sold its Trinidad refinery to the government of Trinidad for $175 million. The Arabian Investment Banking Corp. of Bahrain agreed to purchase Whittaker Corp.'s Marine group, a manufacturer of pleasure boats, for $70 million.

Common language and similar business cultures explain the predominance of British and Canadian acquirers. From 1976 to 1981, British buyers surged 153% to 81 from 32, and surpassing Canada as the top buyer in 1978. During this six-year period, the stagnant British economy offered little market growth for U.K. companies, while the U.S. economy, for all its difficulties, remained the most dynamic among Western nations. Moreover, the British government's anti-merger stance prompted U.K. businesses to seek U.S. acquisitions. The Thatcher government in the last few years has relaxed its views on mergers among British companies.

Canadian buyers initiated an annual average of 53 acquisitions from 1976 through 1981, but withdrew from the U.S. merger scene during the next two years, with acquisitions plunging 55% to only 28 in 1983 from 62 in 1981. Like their American counterparts, Canadian acquirers were also motivated by soaring inflation which enhanced replacement costs, thereby making it cheaper to buy than to build. However, Canadian buyers had an added incentive, overgenerous bank lending. Preferring the potentially larger profits from loans to big corporate customers, Canadian banks were eager to enter the takeover financing business. Many of the loans were extended to purchasers of American real estate, while the majority of corporate takeover loans financed acquisitions of companies in natural resources. The unexpected drop in oil and metal prices and the collapse of the U.S. real estate market abruptly resulted in numerous acquisitions which undoubtedly did not satisfy the prospective investment goals of the acquirers. Moreover, when interest rates reached double-digit levels, the corporate borrowers found themselves with little or no cash to service their enormous debt. At the same time, lenders, fearing default, had no choice but to restructure the debt.

The 85 foreign buyer transactions disclosing a purchase price during 1984 are listed in descending order by the price paid value beginning on page 53.

INDUSTRIES ATTRACTING FOREIGN BUYERS
1981 — 1984

Seller Industry Category	Number of Transactions 1981	1982	1983	1984	Four Year Cumulative
Oil & Gas	16	7	9	16	48
Retail	8	5	5	12	30
Food Processing	9	4	9	8	30
Chemicals, Paints & Coatings	11	9	10	8	38
Wholesale & Distribution	12	9	4	7	32
Insurance	8	8	5	6	27
Brokerage, Investment & Management Consulting Services	3	4	6	6	19
Stone, Clay & Glass	4	2	1	5	12
Primary Metal Processing	6	3	–	5	14
Miscellaneous Services	6	7	8	5	26
Paper	2	–	1	4	7
Drugs, Medical Supplies & Equipment	6	4	2	4	16
Office Equipment & Computer Hardware	3	3	2	4	12
Instruments & Photographic Equipment	7	4	1	4	16
Transportation	4	3	–	4	11
Household Goods	3	3	1	3	10
Printing & Publishing	12	5	7	3	27
Plastics & Rubber	3	4	1	3	11
Industrial & Farm Equipment & Machinery	19	7	6	3	35
Electronics	2	4	5	3	14
Computer Software, Supplies & Services	1	1	2	3	7
Agricultural Production	4	1	–	2	7
Apparel	1	2	–	2	5
Packaging & Containers	5	2	4	2	13
Furniture	–	1	–	2	3
Building Products & Materials	4	–	2	2	8
Construction, Mining & Oil Field Equipment & Machinery	4	1	1	2	8
Electrical Equipment	5	3	2	2	12
Miscellaneous Manufacturing	6	–	3	2	11
Mining & Minerals	6	5	2	2	15
Communications	1	3	–	2	6
Energy Services	2	–	2	2	6
Health Services	–	4	2	2	8
Conglomerate	–	2	–	2	4
Textiles	2	1	1	1	5
Fabricated Metal Products	4	–	4	1	9
Autos & Trucks	3	–	–	1	4
Automotive Products & Accessories	6	4	2	1	13
Aerospace, Aircraft & Defense	2	2	2	1	7
Toys & Recreational Products	2	–	–	1	3
Banking & Finance	13	10	7	1	31
Construction Contractors & Engineering Services	4	3	2	1	10
Leisure & Entertainment	6	2	2	1	11
Beverages	2	7	2	–	11
Timber & Forest Products	3	1	–	–	4
Toiletries & Cosmetics	–	1	–	–	1
Valves, Pumps & Hydraulics	1	1	–	–	2
Electrical, Gas, Water & Sanitary Services	1	2	–	–	3
Real Estate	2	–	–	–	2
Broadcasting	–	–	–	–	–
Totals	234	154	125	151	664

Source: W. T. Grimm & Co.

FOREIGN BUYERS
INDUSTRY DOLLAR TOTAL
1981 — 1984

Seller Industry Category	Total Dollar Value (Base*) 1981	1982	1983	1984
Oil & Gas	$ 6,548.5 (12)	$ 835.4 (6)	$ 281.7 (6)	$ 6,720.9 (13)
Food Processing	134.3 (3)	131.0 (3)	253.0 (3)	2,933.4 (3)
Chemicals, Paints & Coatings	104.6 (5)	267.0 (4)	172.0 (3)	1,045.5 (6)
Retail	197.3 (6)	434.2 (5)	20.1 (1)	592.0 (6)
Wholesale & Distribution	139.6 (5)	7.7 (2)	11.4 (1)	485.0 (6)
Conglomerate	–	72.1 (2)	–	468.9 (1)
Insurance	349.8 (5)	373.1 (4)	146.7 (5)	417.8 (5)
Printing & Publishing	61.0 (1)	16.9 (2)	209.0 (4)	350.0 (1)
Primary Metal Processing	212.5 (5)	–	–	281.0 (2)
Banking & Finance	278.6 (8)	217.6 (4)	1,389.6 (7)	263.9 (1)
Stone, Clay & Glass	346.2 (4)	82.9 (2)	150.0 (1)	212.5 (3)
Packaging & Containers	59.9 (2)	80.0 (1)	130.0 (1)	171.0 (1)
Health Services	–	277.5 (3)	64.2 (1)	123.9 (2)
Brokerage, Investment & Management Consulting Services	0.3 (1)	210.5 (3)	77.8 (3)	122.3 (3)
Industrial & Farm Equipment & Machinery	148.9 (9)	334.4 (4)	8.3 (1)	107.4 (1)
Mining & Minerals	4,753.2 (5)	46.3 (2)	2,494.8 (2)	97.0 (2)
Miscellaneous Services	24.4 (3)	151.4 (4)	115.4 (5)	85.2 (5)
Paper	880.0 (1)	–	–	83.0 (1)
Office Equipment & Computer Hardware	10.0 (1)	228.7 (3)	–	76.8 (3)
Plastics & Rubber	28.0 (2)	22.0 (2)	–	71.0 (1)
Toys & Recreational Products	8.0 (1)	–	–	70.0 (1)
Household Goods	2.8 (1)	–	–	62.6 (2)
Furniture	–	–	–	56.0 (1)
Drugs, Medical Supplies & Equipment	114.8 (4)	103.7 (3)	22.7 (2)	50.0 (1)
Agricultural Production	43.9 (2)	–	–	43.0 (1)
Electronics	70.0 (1)	–	20.0 (1)	37.0 (1)
Construction, Mining & Oil Field Equipment & Machinery	11.5 (2)	–	32.1 (1)	23.7 (2)
Transportation	106.7 (4)	200.0 (1)	–	19.0 (2)
Instruments & Photographic Equipment	16.0 (3)	6.0 (1)	–	13.1 (2)
Apparel	10.4 (1)	4.5 (1)	–	10.2 (1)
Energy Services	2,486.6 (2)	–	27.8 (2)	10.0 (1)
Automotive Products & Accessories	45.0 (1)	52.0 (1)	–	9.0 (1)
Textiles	–	106.5 (1)	–	8.0 (1)
Aerospace, Aircraft & Defense	10.6 (1)	79.9 (1)	3.0 (1)	6.4 (1)
Computer Software, Supplies & Services	–	–	43.6 (2)	5.3 (1)
Beverages	1.4 (1)	261.3 (5)	200.0 (1)	–
Timber & Forest Products	395.8 (1)	242.0 (1)	–	–
Building Products & Materials	66.8 (3)	–	–	–
Toiletries & Cosmetics	–	100.0 (1)	–	–
Fabricated Metal Products	57.2 (2)	–	29.9 (1)	–
Valves, Pumps & Hydraulics	–	4.0 (1)	–	–
Autos & Trucks	300.0 (2)	–	–	–
Electrical Equipment	27.5 (2)	57.5 (2)	15.9 (2)	–
Miscellaneous Manufacturing	22.0 (3)	–	1.2 (1)	–
Communications	–	52.0 (3)	–	–
Electrical, Gas, Water & Sanitary Services	–	3.0 (1)	–	–
Real Estate	38.8 (1)	–	–	–
Construction Contractors & Engineering Services	37.4 (3)	–	–	–
Leisure & Entertainment	626.9 (6)	34.8 (2)	7.3 (1)	–
Broadcasting	–	–	–	–
Totals	$18,778.2 (126)	$5,105.9 (81)	$5,927.5 (59)	$15,131.8 (85)

*Base: The number of transactions disclosing a purchase price.

Source: W. T. Grimm & Co.

FOREIGN BUYERS
NUMBER OF TRANSACTIONS BY COUNTRY
1976 — 1984

Country of Buyer	Number of Acquisitions									Nine Year Cumulative
	1976	1977	1978	1979	1960	1981	1982	1983	1984	
Great Britain	32	39	62	60	50	81	55	42	49	470
Canada	56	45	49	50	57	62	36	28	36	419
Sweden	6	1	2	4	8	7	4	3	8	43
France	11	7	6	18	20	14	12	7	7	102
Switzerland	5	3	11	16	7	6	7	7	7	69
Japan	10	4	9	11	9	9	4	6	6	68
Australia	3	4	2	5	2	7	2	6	5	36
Netherlands	6	8	4	11	6	8	5	7	5	60
Norway	–	–	–	–	1	–	–	1	5	7
West Germany	9	18	27	37	14	14	6	2	4	131
Belgium	4	10	4	2	–	–	–	–	3	23
Finland	–	–	–	2	1	–	–	5	2	10
Kuwait	1	–	1	–	1	1	1	1	2	8
Bahamas	–	–	1	–	1	–	–	–	1	3
Bahrain	–	–	–	–	–	–	–	–	1	1
Colombia	–	1	–	–	1	–	1	–	1	4
Denmark	1	2	2	–	–	–	–	–	1	6
Greece	–	–	–	–	–	1	–	–	1	2
Hong Kong	1	–	1	2	2	2	4	–	1	13
Israel	2	–	–	1	–	2	–	1	1	7
Italy	–	5	3	1	1	4	1	5	1	21
Malaysia	–	–	–	–	–	1	–	–	1	2
New Zealand	–	–	–	–	–	–	1	1	1	3
Spain	–	–	–	2	2	1	2	–	1	8
Trinidad	–	–	–	–	–	–	–	–	1	1
Argentina	–	1	–	2	1	1	–	–	–	5
Austria	–	1	–	–	–	–	–	–	–	1
Bermuda	1	1	1	–	–	–	–	1	–	4
Brazil	3	3	–	4	–	1	1	–	–	12
Ecuador	2	–	–	–	–	–	–	–	–	2
India	1	–	–	–	–	–	–	–	–	1
Iran	1	–	–	–	–	–	–	–	–	1
Jamaica	1	1	–	1	–	–	–	–	–	3
Libya	–	–	–	–	–	–	1	–	–	1
Luxembourg	–	–	1	1	–	–	–	–	–	2
Mexico	–	2	3	1	1	2	3	–	–	12
Nigeria	1	–	–	–	–	–	–	–	–	1
Pakistan	1	–	–	–	–	–	–	–	–	1
Panama	1	–	1	–	–	–	1	–	–	3
Philippines	1	2	–	2	–	1	1	–	–	7
Puerto Rico	–	–	–	–	–	1	–	1	–	2
Saudi Arabia	2	–	3	1	–	3	–	–	–	9
Singapore	–	–	–	–	–	–	2	–	–	2
South Africa	–	1	–	–	–	2	–	–	–	3
South Korea	–	1	2	–	–	–	1	–	–	4
Taiwan	1	–	–	–	–	1	–	–	–	2
Thailand	2	–	1	–	–	–	1	–	–	4
Venezuela	5	1	–	1	–	–	–	1	–	8
Undisclosed	8	1	3	1	2	2	2	–	–	19
Total Foreign Buyers	178	162	199	236	187	234	154	125	151	1,626

Source: W. T. Grimm & Co.

FOREIGN BUYERS
DOLLAR TOTAL BY COUNTRY
1980 — 1984

Country of Buyer	Total Dollar Value (Base*) 1980	1981	1982	1983	1984
Netherlands	$ 197.9 (4)	$ 230.3 (3)	$ 90.1 (3)	$ 48.8 (3)	$ 5,605.4 (2)
Switzerland	254.7 (3)	113.3 (3)	557.9 (3)	107.7 (3)	2,904.6 (3)
Great Britain	2,618.6 (40)	1,458.5 (51)	1,780.3 (33)	1,119.5 (23)	2,754.1 (31)
Canada	2,356.8 (31)	8,193.1 (34)	1,299.2 (19)	1,309.9 (16)	1,266.6 (19)
Australia	34.3 (2)	615.3 (3)	–	2,468.4 (3)	626.3 (4)
Japan	311.5 (6)	122.2 (7)	237.0 (2)	688.7 (4)	430.4 (3)
Kuwait	40.0 (1)	2,486.1 (1)	150.0 (1)	–	340.0 (1)
France	519.2 (9)	4,804.5 (7)	224.5 (3)	15.0 (1)	236.8 (4)
West Germany	240.8 (5)	400.6 (6)	9.3 (2)	44.0 (1)	214.5 (2)
Trinidad	–	–	–	–	175.0 (1)
Sweden	17.4 (2)	138.9 (3)	118.8 (3)	8.3 (1)	137.6 (4)
Denmark	–	–	–	–	113.0 (1)
Malaysia	–	–	–	–	71.0 (1)
Bahrain	–	–	–	–	70.0 (1)
Belgium	–	–	–	–	46.0 (2)
Norway	260.0 (1)	–	–	–	45.0 (1)
New Zealand	–	–	242.0 (1)	–	36.0 (1)
Bahamas	–	–	–	–	24.8 (1)
Greece	–	–	–	–	23.0 (1)
Israel	–	50.0 (1)	–	10.0 (1)	8.0 (1)
Finland	4.7 (1)	–	–	–	3.7 (1)
Argentina	–	11.2 (1)	–	–	–
Bermuda	–	–	–	39.7 (1)	–
Brazil	–	–	5.6 (1)	–	–
Colombia	–	–	50.0 (1)	–	–
Hong Kong	21.8 (2)	–	160.6 (3)	–	–
Italy	–	103.1 (2)	4.5 (1)	56.1 (1)	–
Mexico	–	–	11.8 (1)	–	–
Philippines	–	14.7 (1)	–	–	–
Puerto Rico	–	–	–	11.4 (1)	–
Saudi Arabia	–	12.4 (2)	–	–	–
South Korea	–	–	60.0 (1)	–	–
Spain	5.5 (1)	–	64.3 (2)	–	–
Undisclosed	204.1 (2)	24.0 (1)	40.0 (1)	–	–
Totals	$7,087.3 (110)	$18,778.2 (126)	$5,105.9 (81)	$5,927.5 (59)	$15,131.8 (85)

*Base: The number of transactions disclosing a purchase price.

Source: W. T. Grimm & Co.

FOREIGN ACQUISITIONS OF U.S. COMPANIES
1984

Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
* 1. **Royal Dutch/Shell Group — Netherlands** [world's 2nd largest oil co.]	**Shell Oil Co.** — remaining 30.5% [nation's 8th largest oil co.]	**$5,467.9**
* 2. **Nestle S.A. — Switzerland** [world's largest food co.]	**Carnation Co.** [dairy & food products]	**2,885.4**
* 3. **Imperial Chemical Industries PLC — Britain** [chemicals, petrochemicals, synthetic fibers]	**Beatrice Cos.** (chemical operations) [high-performance composite materials]	**750.0**
* 4. **Hanson Trust PLC — Britian** [diversified]	**U.S. Industries Inc.** [industrial prdts. & eqpt.; clothing; furniture; lighting]	**468.9**
5. **News Corp. Ltd. — Australia** [newspaper & magazine publishing co. controlled by Rupert Murdoch]	**Ziff-Davis Publishing Co.** (12 buiness publications)	**350.0**
6. **Kuwait Petroleum Corp. — Kuwait** [oil/gas producer]	**Occidental Petroleum Corp.** (Occidental Geothermal Inc.) [geothermal steam prod'n.]	**340.0**
7. **Nippon Kokan K.K. — Japan** [Japan's 2nd largest steelmaker]	**National Intergroup Inc.** [50% of National Steel Corp.) [steel producer]	**273.0**
* 8. **Midland Bank PLC — Britain** [international banking]	**Crocker National Corp.** — remaining 43% [bank holding]	**263.9**
* 9. **Imasco Ltd. — Canada** [tobacco; food; retailing]	**Peoples Drug Stores Inc.** [drug store chain]	**263.2**
*10. **Distillers Co. — Britain** [major distiller & blender of Scotch Whiskey, mfrs. gin, brandy, vodka, yeast and bakers supplies]	**Esmark Inc.** (Somerset Importers Ltd.) [U.S. importer of Distillers' prdts.]	**250.0**
*11. **Broken Hill Proprietary Co. — Australia** [iron, steel, oil]	**Energy Reserves Group Inc.** [oil/gas expl'n. & dev.]	**212.3**
12. **Government of Trinidad**	**Texaco Inc.** (Texaco-Trinidad Inc.) [refinery, oil wells]	**175.0**
*13. **Franz Haniel & Cie. GmbH — W. Germany** [major int'l. trading co. which owns U.S. based Scrivner Inc., a wholesale food dstr.]	**S.M. Flickinger Inc.** [wholesale food dstr.]	**174.5**
14. **Onex Capital Corp. — Canada** [investment co.]	**American Can Co.** (Canadian unit) [metal cans & specialty plastics]	**171.0**
15. **Trilon Financial Corp. — Canada** [insurance, financial services]	**American Express Co.** (Fireman's Fund Insurance Co. of Canada)	**163.5**
*16. **Placer Development Ltd. — Canada** [mining & minerals; oil/gas]	**Prairie Producing Co.** [oil/gas expl'n. & prod'n]	**142.5**
17. **N.V. Amev — Netherlands** [insurance holding, financial services]	**St. Paul Cos.** (Western Life Insurance Co. and St. Paul Advisers Inc.) [life insurance; mutual fund manager]	**137.5**

* Acquisitions appear with more details in the Transaction Roster beginning on page 147.

Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
18. **Superfos AS — Denmark** [fertilizers]	**Universal Leaf Tobacco Co.** (Royster Co.) [makes phosphate fertilizers]	$ 113.0
*19. **Societe des Ciments Francais — France** [cement]	**Louisville Cement Co.** [portland & masonry cement]	112.5
20. **Whitbread & Co. — Britain** [brewery; liquor]	**Beatrice Cos.** (Buckingham Corp.) [distributes Cutty Sark Whiskey]	110.0
*21. **Minebea Co. — Japan** [ball bearings; computer parts]	**New Hampshire Ball Bearings Inc.** [ball bearing prdts.]	107.4
22. **Manufacturers Life Insurance Co. — Canada** [Canada's 2nd largest life insurer]	**Lincoln National Corp.** (its 89% interest in Dominion Life Insurance Co.) [11th largest life insurer in Canada]	106.6
23. **TransCanada Pipelines Ltd. — Canada** [natural gas transmission]	**Rockefeller Group Inc.** (Wessely Energy Corp.)	100.0
*24. **SOQUIP — Canada** [Quebec gov't. controlled oil exploration business]	**Sundance Oil Co.** — remaining 89.5% [oil/gas expl'n., prod'n. & dev.]	94.9
*25. **Grand Metropolitan PLC — Britain** [cigarettes; pet foods; soft drinks; sporting goods]	**Quality Care Inc.- remaining 95%** [home nursing services]	87.9
26. **Beecham Group PLC — Britain** [pharmaceuticals]	**Roberts Consolidated Industries Inc.** [adhesives & wood preservatives for carpet laying]	85.0
27. **B-A-T Industries PLC — Britain** [tobacco; paper; cosmetics]	**P.H. Glatfelter Co.** (paper mill in West Carrollton, OH)	83.0
*28. **Etablisements Economiques du Casino, Guichard & Cie. — France** [food retailer & processor]	**Smart & Final Iris Corp.** — remaining 90% [supermarkets]	81.5
29. **Saatchi & Saatchi PLC — Britain** [Britain's largest advertising agency]	**Hay Group** [business consulting]	80.0
30. **Tarmac PLC — Britain** [construction & design; oil refiner & explorer]	**Lone Star Industries Inc.** (4 cement quarries & 42 small concrete plants in Florida)	80.0
*31. **AB Volvo — Sweden** [automobile mfr.]	**Hamilton Oil Corp.** — additional 15.7% [oil/gas prod'n.]	78.0
32. **Kumpulan Guthrie SDN. BHD. — Malaysia** [gov't.-owned operator of rubber plantations]	**Uniroyal Inc.** (Malaysian natural rubber plantation co.)	71.0
*33. **Arabian Investment Banking Corp. — Bahrain** [commercial & investment banking]	**Whittaker Corp.** (marine group) [pleasure boats]	70.0
34. **Bond Corp. Holdings Ltd. — Australia** [diversified]	**Occidental Petroleum Corp.** (Australian Occidental Pty.) [petroleum & mining]	60.0
35. **Charterhouse Group Int'l. Inc. — Britain** [financial services]	**Stanley Interiors Corp.** [wooden furniture, home furnishings]	56.0
36. **Echo Bay Mines Ltd. — Canada** [gold mining]	**Louisiana Land & Exploration Co.** (Copper Range Co.) [copper mining]	55.0

* Acquisitions appear with more details in the Transaction Roster beginning on page 147.

Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
37. **Sanwa Bank Ltd. — Japan** [banking]	**Continental Illinois Corp.** (Continental Illinois Leasing Corp. and Cobak Corp.) [leasing units]	$ 50.0
38. **Fisons PLC — Britain** [horticultural prdts.; ethical pharmaceuticals; scientific eqpt.]	**Coulter Electronics Inc.** (Scimed Int'l. Co.)	50.0
39. **Rio Algom Ltd. — Canada** [mining & specialty steel]	**National Distillers & Chemical Corp.** (metals distribution business of Vincent Brass & Aluminum Co.) [dstr. brass, copper & steel prdts.]	47.0
*40. **Dyno Industrier AS — Norway** [dynamite]	**Gulf Resources & Chemical Corp.** (Ireco Chemicals) [industrial explosives]	45.0
41. **Tate & Lyle PLC — Britain** [refined sugar & molasses]	**Beatrice Cos.** (agricultural prdts. division) [animal feeds & supplements]	43.0
*42. **Costain Group PLC — Britain** [construction & engineering]	**MidCon Corp.** (Industrial Fuels Corp.) [coal mining & marketing]	42.0
*43. **Foseco Minsep PLC — Britain** [specialty chemicals]	**Gibson-Homans Inc.** [roof coatings, sealants, adhesives]	40.5
44. **Deutsche Bank AG — W. Germany** [banking]	**ITT Corp.** (Leifheit AG) [household prdts.]	40.0
45. **Raffinerie Tirlemontoise S.A. — Belgium** [sugar refiner]	**Joan of Arc Co.** [specialty canned foods]	38.0
46. **Int'l. Signal & Control Group PLC — Britain** [electronics & aerospace]	**Computer & Communications Technology Inc.** (Zeta Laboratories Inc.) [microwave parts & subsystems]	37.0
47. **Crownx Inc. — Canada** [nursing homes; financial services]	**Ames Group** [nursing homes]	36.0
*48. **Brierley Investments Ltd. — New Zealand**	**Higbee Co.** — remaining 50.9% [department stores]	36.0
*49. **Guest Keen & Nettlefolds PLC — Britain** [automotive parts]	**Beck/Arnley Corp.** [imports, dstrs. & rebuilds replacement parts for imported cars & trucks]	31.5
50. **Carrefour S.A. — France** [specialty shops]	**Costco Wholesale Corp.** — 20% [cash & carry membership wholesale warehouse]	30.0
51. **Kleinwort Benson Ltd. — Britain** [Britain's leading merchant bank]	**Donaldson, Lufkin & Jenrette Inc.** (ACLI Government Securities Inc.) [government securities dealer]	27.3
*52. **Computer & Systems Engineering PLC — Britain**	**Schlumberger Ltd.** (Rixon Inc.) [data transmission modems]	27.0
53. **Datatronic AB — Sweden** [computer software]	**Victor Technologies Inc.** — 90% [minicomputers]	25.0
54. **Commodore Int'l. Ltd. — Bahamas** [business & personal computers]	**Amiga Computer Inc.** [personal computer]	24.8

* Acquisitions appear with more details in the Transaction Roster beginning on page 147.

Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
55. **Reed Int'l. PLC — Britain** [paper, packaging]	**Frazee Industries Inc.** [paint & wall covering stores]	$ 24.0
56. **Public Petroleum Corp. — Greece** [gov't. owned oil co.]	**Exxon Corp.** (ESSO — Pappas Group) [gas stations & refinery]	23.0
57. **Esselte A.H. — Sweden** [office eqpt.; packaging mchy.]	**Nielsen Molding Design Corp.** [extruded aluminum molding for custom picture framing]	22.6
58. **St. Marys Cement Ltd. — Canada** [cement]	**Gifford-Hill & Co.** (Peerless Cement Co.)	20.0
*59. **Bralorne Resources Ltd. — Canada** [oil/gas prod'n. & eqpt.]	**Mark Products Inc.** — remaining 46.8% [geophysical eqpt.]	18.7
60. **Undisclosed — Canada**	**Conquest Exploration Co.** (Canadian Conquest Exploration Ltd.) [oil/gas expl'n.]	18.0
*61. **Automated Security Holdings — Britain** [electronic security]	**Network Security Corp.** — 25% [electronic security, fire alarm systems]	17.0
62. **Arthur Bell & Sons PLC — Britain** [distiller whiskey]	**Wellington Importers Ltd.** [dstrs. Barbella & Boucheron wines]	16.5
63. **British Electric Traction PLC — Britain** [diversified]	**Distribution Systems Inc.** [road tanker]	16.0
64. **Henry Ansbacher Holdings PLC — Britain** [merchant banking]	**Laidlaw Adams & Peck Inc.** [securities broker]	15.0
*65. **Saatchi & Saatchi PLC — Britain** [Britain's largest advertising agency]	**Reliance Group Holdings Inc.** (Yankelovich, Skelly & White) [market research]	13.5
66. **Poulain Industries S.A. — France** [candy, cereal, biscuits]	**Amoskeag Co.** (Fanny Farmer Candy Shops Inc.) [retail candy shops]	12.8
67. **Alfa-Laval AB — Sweden** [milking machines]	**West Chemical Products Inc.** (West Argo Chemical Inc.)	12.0
*68. **Private Investor — Switzerland** [Andre Biohorn]	**Olla Industries Inc.** — 44.2% [handbags]	10.2
69. **Booker McConnell PLC — Britain** [wines, liquor; health prdts.]	**Iroquois Brands Ltd.** (Radiance Products Co. and El Molino Mills) [personal care prdts. & natural foods]	10.0
70. **Ferranti PLC — Britain** [computer systems]	**TRW Inc.** (TRW Controls Corp.) [supervisory energy mgmt. systems]	10.0
71. **Alusuisse — Switzerland** [automotive prdts.]	**AVM Corp.** (auto prdts. business) [pneumatic counter balances for auto hoods]	9.0
72. **Cookson Group PLC — Britain** [non-ferrous metals; chemical prdts.]	**Asarco Inc.** (West Coast sodder business)	8.0
73. **Private Group — Belgium**	**Champion Int'l. Corp.** (Associated Weavers — Europe) [carpets]	8.0
74. **Elbit Computers Ltd. — Israel** [computerized systems for military & comm'l. applications]	**Inframetics Inc.** — 70% [infrared instruments]	8.0

* Acquisitions appear with more details in the Transaction Roster beginning on page 147.

Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
75. **Crown Life Insurance Co. — Canada** [life insurance]	**Independent Life & Accident Co.** (Independence Life & Accident Insurance Co.) [life, health, accident & fire insurance]	$ 6.5
*76. **Bowthorpe Holdings PLC — Britain** [electronic & telecommunication prdts.]	**SBD Electronic Systems Inc.** [military systems]	6.4
77. **Erskine Resources Ltd. — Canada**	**Brock Exploration Corp .** (Canadian oil/gas properties)	5.3
78. **Zytec Computers Ltd. — Canada** [computer hardware & software]	**Western Union Corp.** (Western Union Data Services Co.) [computer leasing]	5.3
79. **Lumonics Inc. — Canada** [laser eqpt.]	**Laser Identification Systems Inc.** [laser making eqpt.]	5.1
80. **JKS-Boyles Industries Inc. — Canada** [diamond drilling eqpt.]	**Dresser Industries Inc.** (Orillia, Ontario plant) [diamond drilling eqpt.]	5.0
81. **Kratos Minerals N.L. — Australia**	**Harken Oil & Gas Inc.** (Earth Energy Inc.) [drilling concessions covering 48.5 million acres in Australia]	4.0
*82. **Kansa Corp. — Finland** [insurance holding]	**HGIC Corp.** — remaining 51.6% [insurance holding]	3.7
83. **Reuters Holdings PLC — Britain** [news wire]	**United Press International** (foreign news picture operations) [24 fgn. news picture bureaus]	3.3
84. **Scott's Hospitality Inc. — Canada** [bus service; restaurants & hotels]	**Bus Services Inc.** [school bus operator]	3.0
85. **Saatchi & Saatchi Co. PLC — Britain** [Britain's lgst. ad agency]	**Cochrane Chase, Livingston & Co.** [advertising]	1.4

* Acquisitions appear with more details in the Transaction Roster beginning on page 147.

Source: W.T. Grimm & Co.

FOREIGN SELLERS

Despite the high value of the U.S. dollar, American corporations were not as aggressive in acquiring foreign businesses as international investment bankers had expected. U.S. acquisitions of foreign companies in 1984 held steady with 147 transactions, compared with 146 in 1983. Concerned about the long-term economic health of many foreign countries, American companies chose to stay on the sidelines. At the same time, U.S. corporations were reluctant to further expand overseas as long as the dollar continued its climb, thereby creating currency transaction losses. A rising dollar shrinks the profits U.S. companies earn on foreign operations and reduces the value of their foreign assets. Once the dollar has peaked against foreign currencies, U.S. interest in foreign acquisitions should resume.

Figure 18 divides the total number of U.S. acquisitions of foreign companies into four groups: (1) U.S. firms acquiring controlling interests in foreign companies, (2) U.S. firms purchasing minority interests in foreign companies, (3) foreign corporations divesting foreign-based units, and (4) foreign corporations divesting U.S.-based units.

U.S. ACQUISITIONS OF FOREIGN COMPANIES

	Acquisitions of		Divestitures of		Total
	Controlling Interests	Minority Interests	Foreign-Based Units	U.S.-Based Units	Foreign Sellers
1980	62	15	18	7	102
1981	67	14	9	11	101
1982	69	15	22	15	121
1983	95	15	17	19	146
1984	81	16	28	22	147

Source: W.T. Grimm & Co.

Figure 18.

After averaging about 66 transactions a year from 1980 through 1982, U.S. acquisitions of controlling interests in foreign companies averaged close to 90 in the last two years. The same dynamics underlying the influx of foreign buyers during the '70s, specifically falling exports and rising labor costs, prompted American companies to acquire foreign businesses. The depressed state of U.S. exports have led some companies, particularly those in the industrial goods sector, to purchase manufacturing facilities overseas. Rising from four transactions in 1981 to 13 in 1984, the Industrial & Farm Equipment & Machinery industry currently attracts the largest number of American buyers. (See page 62.)

Another recent motivating factor in purchasing a foreign company is to avoid protectionism. Should a U.S. company have difficulty introducing its products into a foreign market due to tariff barriers, then an acquisition of a foreign concern serving the targeted market becomes a primary strategic alternative. This may explain some of the interest in Japanese companies. There were no Japenese acquisitions in 1980 and 1981. In each of the next two years, however, three U.S. purchases of Japanese businesses occurred, and finally in 1984, American companies acquired seven Japanese firms. (See page 64.) In view of the disdain the Japanese have for acquisitions, the reason for Japan's increasing acceptance of company purchases is economic. Faced with strong competition at home from larger Japanese companies, many small and medium-sized Japanese firms are having difficulty maintaining market shares and profits. The alternatives are to merge with a larger Japanese company or unite with a foreign company.

In general, the increase in U.S. acquisitions of controlling interests in foreign businesses is a result of American corporations accelerating their strategic plans aimed at expanding into foreign markets. Acquisitions of foreign companies play a significant role in executing global strategies. McCormick & Co. and Hallmark Cards Inc., for instance, both gained entry to the British marketplace with their recent acquisitions. A manufacturer of seasonings and flavorings, McCormick acquired Britain's leading spicemaker,

Paterson Jenks, for $53.5 million. W.N. Sharpe Holdings, an 114-year old British-based publisher of greeting cards and stationery, was acquired by Hallmark for $52 million.

The rate of U.S. purchases of minority interests in foreign companies has been fairly even throughout the last five years, averaging about 15 a year. Some countries have government regulations preventing foreign entities from gaining control in their companies.

Also contributing to the increase in American purchases of foreign businesses has been the change in thinking among foreign managements toward divestitures. Recent economic slowdowns and greater global competition have forced foreign corporations to critically review their businesses and divest those units not meeting strategic and/or financial goals. Divestitures of foreign-based subsidiaries rose to 28 in 1984 from 17 in 1983, while foreign companies sold three more U.S. based units in 1984 than they sold in 1983. The sale of U.S. divisions has been growing gradually in the last five years, rising from 7 in 1980 to 22 in 1984. This five-year increase follows the late 1970s when foreign companies aggressively sought U.S. acquisitions (see page 45), suggesting that some of those earlier acquisitions did not succeed. Reasons for the failure of foreign firms' U.S. investments include a limited knowledge of the U.S. market, foreign managers overlooking the difference between running a business in the U.S. and managing in their home countries, and weak management links between the foreign parent and the U.S. subsidiary.

U.S. ACQUISITIONS OF FOREIGN COMPANIES
1972 — 1984

Year	Total Transactions	Transactions Valued at $100MM or more	Transactions Valued at $1,000MM or more	Total Dollar Value Paid (millions of dollars)	Base*
1972	531	2	—	#	
1973	323	—	—	#	
1974	257	—	—	#	
1975	178	—	—	$ 433.2	48
1976	126	1	—	887.1	44
1977	112	2	—	951.6	48
1978	98	1	—	680.3	36
1979	119	4	—	1,475.5	34
1980	102	4	1	3,779.7	26
1981	101	3	—	1,073.0	34
1982	121	3	—	770.1	31
1983	146	9	—	2,490.8	41
1984	147	8	—	2,550.0	48

Data not collected in that year.

* Base: The number of transactions disclosing a purchase price.

Source: W.T. Grimm & Co.

(The W.T. Grimm & Co. Research Department started monitoring U.S. acquisitions of foreign companies in 1972.)

Figure 19.

Historical Note

U.S. purchases of foreign companies plunged 82% from 531 in 1972 to 98 in 1978. Having traditionally invested capital and technology during the 1960s to develop industries in other nations, the United States entered the '70s only to confront a variety of domestic economic problems requiring the full attention and

diligence of American companies. Rising inflation, recession, tight money, lower earnings, growing unemployment, mounting Federal deficits, all forced U.S. corporate managements to concentrate on ensuring economic survival of their businesses. Furthermore, the weakened dollar and a flurry of nationalizations of foreign investments in certain countries hindered any further American investments abroad.

Except for 1980, total dollars paid for acquisitions of foreign companies averaged about $900 million a year from 1975 through 1982. The $3.8 billion tabulated in 1980 includes the $2.3 billion divestiture of Texas Pacific Oil Co. by Seagram Co. Ltd. of Canada to Sun Co. The larger dollar totals in the last two years resulted from an increase in transactions valued at $100 million or more, reflecting the importance of both larger strategic foreign purchases to U.S. corporations and larger strategic divestments to foreign corporations. The two largest American buyer-foreign seller transactions in 1984 were the $505 million divestiture of Husky Oil Ltd.'s (Canada) subsidiary in the U.S. to U.S. Steel Corp., and the $327 million purchase of an additional 70% in Nicholas Kiwi Ltd. of Australia by Consolidated Foods Corp. Because Australia has regulations prohibiting foreigners from acquiring more than 50% in certain Australian companies, Consolidated acquired control in Kiwi by uniquely structuring the transaction. Kiwi was divided into two companies, one consisting of non-Australian assets and operations, and the other of Australian businesses. Consolidated purchased all non-Australian assets and a 14.9% stake in the Australian company.

Among the 50 W.T. Grimm & Co. industry classifications, Brokerage Investment & Management Consulting Services had the highest increase in U.S. acquisitions of foreign companies, rising to 10 transactions in 1984 from only two in 1983. With the attractiveness of more efficient capital markets beginning to dissolve protectionism in the securities industry, multinational investment banking is developing in Tokyo, Paris, and particularly in London. The British government in late 1983 decided to abolish fixed brokerage commissions and permit foreign members on the London Stock Exchange by 1986. That forced London's highly fragmented brokerage industry to consolidate, like the U.S. investment banks did in the mid-70s following a similar decision by the S.E.C. in 1975. The allure of London's deregulated environment has attracted financial services acquirers from around the world, including the United States. American firms such as Chase Manhattan, Citicorp and Shearson Lehman/American Express have acquired substantial minority interests in London securities houses.

As indicated earlier in this chapter, the Industrial & Farm Equipment & Machinery industry category in 1984 had the highest number of U.S. acquirers, surpassing Miscellaneous Services which was the top industry classification from 1981 through 1983. Rising imports of capital goods have exacerbated the problems besetting the machinery industry. Despite the general increase in capital spending, industry-wide capacity utilization continued to be higher than demand. Export markets remained nonproductive with the dollar at record levels, while imports accounted for almost half of all capital investment dollars. Rather than fight the foreign competition, a number of capital goods producers and heavy equipment manufacturers are purchasing minority or controlling interests in foreign machinery concerns, along with establishing licensing, distribution and technical assistance agreements.

In 1984, two industries attracted American acquirers for the first time in four years. They were Building Products and Materials with three U.S. buyers and Health Services with one U.S. buyer.

The number of foreign sellers in each of the 50 W.T. Grimm & Co. industry classifications appears on page 62, followed by a dollar breakdown on page 63.

U.S. acquisitions of British companies in 1984 increased 15% from 39 in 1983 to 45, the highest number in the last nine years. As indicated earlier, the deregulation of Britain's securities industry attracted American bankers. U.S. corporations have been responding to the British economy's gradual progress by increasing their purchases every year since 1981. The improved labor situation in Britain and a significant reduction in U.K. corporate tax rates, along with the higher quality of earnings of British companies and the highly favorable dollar-pound exchange rate have stimulated the interest of American companies.

U.S. purchases of Canadian companies in 1984 declined for the third consecutive year, falling to 24 from 35 in 1983. Canada's depressed industries, high wages, and low productivity continued to discourage U.S. investments. However, under the newly elected Prime Minister, Brian Mulroney, U.S. acquisitions may begin to increase. Having vowed to improve Canada's economy and spur new foreign investment, Mulroney in early December, 1984 introduced draft legislation to replace the Foreign Investment Review Agency (FIRA) with a promotion-oriented agency called Investment Canada. Since 1974 FIRA has stressed protection of Canadian industry from foreign ownership. Investment Canada, however, will encourage foreign investment, especially from the United States. Bureaucratic screening is to be eliminated on almost all new foreign investment. Review will still be required on direct acquisitions when assets are $3.8 million or more. However, the reviewing process will be cut to a maximum of 75 days. Under former Prime Minister Trudeau, FIRA decisions in some instances took more than a year. During the latter part of 1984, Mulroney's Progressive Conservative government demonstrated its commitment to U.S. investment by quickly approving Freeport-McMoran's and Transco Energy's joint acquisition of the Canadian oil and gas assets of Nu-West Group Ltd. for $244 million, the fourth largest U.S. acquisition of a foreign seller in 1984.

A listing of 1984's foreign sellers by country begins on page 64. Totals for the previous eight years are also provided. A tabulation by dollars per country for the last five years appears on page 65.

The 48 foreign seller transactions disclosing a purchase price during 1984 are listed in descending order by the price paid value beginning on page 66.

INDUSTRIES ATTRACTING AMERICAN BUYERS
1981 — 1984

Seller Industry Category	Number of Transactions				
	1981	1982	1983	1984	Four Year Cumulative
Industrial & Farm Equipment & Machinery	4	2	8	13	27
Wholesale & Distribution	6	5	8	10	29
Brokerage, Investment & Management Consulting Services	1	4	2	10	17
Drugs, Medical Supplies & Equipment	2	9	8	9	28
Electronics	3	5	3	9	20
Miscellaneous Services	10	12	13	7	42
Instruments & Photographic Equipment	4	8	3	7	22
Oil & Gas	2	5	5	6	18
Insurance	6	7	4	6	23
Printing & Publishing	1	2	3	5	11
Chemicals, Paints & Coatings	6	2	6	5	19
Banking & Finance	5	7	8	5	25
Computer Software, Supplies & Services	2	4	3	5	14
Food Processing	5	4	5	4	18
Stone, Clay & Glass	2	2	2	4	10
Valves, Pumps & Hydraulics	5	3	4	4	16
Building Products & Materials	–	–	–	3	3
Automotive Products & Accessories	–	1	1	3	5
Construction Contractors & Engineering Services	1	2	5	3	11
Leisure & Entertainment	–	–	3	3	6
Textiles	–	–	1	2	3
Paper	2	2	1	2	7
Household Goods	–	–	1	2	3
Primary Metal Processing	1	1	5	2	9
Construction, Mining & Oil Field Equipment & Machinery	2	1	1	2	6
Electrical Equipment	4	7	4	2	17
Office Equipment & Computer Hardware	4	1	6	2	13
Retail	5	1	2	2	10
Agricultural Production	3	1	1	1	6
Beverages	2	1	1	1	5
Apparel	1	1	3	1	6
Plastics & Rubber	–	1	4	1	6
Fabricated Metal Products	3	5	4	1	13
Miscellaneous Manufacturing	2	2	4	1	9
Mining & Minerals	2	–	–	1	3
Transportation	–	1	1	1	3
Electrical, Gas, Water & Sanitary Services	–	–	4	1	5
Health Services	–	–	–	1	1
Timber & Forest Products	–	–	–	–	–
Furniture	–	–	–	–	–
Packaging & Containers	–	3	2	–	5
Toiletries & Cosmetics	–	2	3	–	5
Autos & Trucks	1	–	–	–	1
Aerospace, Aircraft & Defense	–	–	1	–	1
Toys & Recreational Products	1	2	1	–	4
Communications	3	–	–	–	3
Broadcasting	–	1	1	–	2
Real Estate	–	1	–	–	1
Energy Services	–	2	–	–	2
Conglomerate	–	1	1	–	2
Totals	101	121	146	147	515

Source: W.T. Grimm & Co.

FOREIGN SELLERS
INDUSTRY DOLLAR TOTAL
1981 — 1984

Seller Industry Category	Total Dollar Value (Base*) 1981	1982	1983	1984
Oil & Gas	$ 130.0 (1)	$ 36.8 (2)	$ 109.0 (2)	$ 908.0 (5)
Household Goods	–	–	32.0 (1)	327.0 (1)
Insurance	342.3 (5)	–	168.6 (2)	266.0 (2)
Chemicals, Paints & Coatings	5.5 (1)	–	–	132.3 (2)
Brokerage, Investment & Management Consulting Services	–	16.2 (2)	29.7 (1)	123.5 (3)
Computer Software, Supplies & Services	–	3.8 (2)	4.2 (1)	101.7 (1)
Banking & Finance	156.1 (2)	220.0 (2)	880.7 (5)	99.0 (3)
Agricultural Production	26.7 (2)	–	–	95.5 (1)
Food Processing	51.5 (2)	153.5 (2)	105.0 (1)	95.5 (3)
Construction Contractors & Engineering Services	–	–	12.8 (1)	81.0 (1)
Construction, Mining & Oil Field Equipment & Machinery	–	–	–	57.4 (2)
Printing & Publishing	–	4.5 (1)	8.2 (1)	52.0 (1)
Beverages	–	–	–	43.3 (1)
Miscellaneous Services	49.8 (2)	–	53.0 (2)	30.9 (2)
Retail	60.3 (2)	–	4.1 (1)	30.1 (1)
Health Services	–	–	–	20.0 (1)
Building Products & Materials	–	–	–	19.7 (2)
Textiles	–	–	119.0 (1)	15.4 (2)
Leisure & Entertainment	–	–	18.9 (2)	12.0 (1)
Instruments & Photographic Equipment	2.8 (2)	–	–	11.0 (2)
Industrial & Farm Equipment & Machinery	–	6.0 (1)	16.7 (3)	7.7 (2)
Stone, Clay & Glass	50.0 (1)	43.0 (1)	–	6.6 (2)
Office Equipment & Computer Hardware	71.0 (2)	–	275.7 (3)	4.9 (2)
Electronics	3.0 (1)	4.3 (2)	–	3.5 (1)
Drugs, Medical Supplies & Equipment	–	10.0 (1)	316.5 (2)	3.4 (2)
Valves, Pumps & Hydraulics	27.5 (2)	1.2 (1)	183.0 (2)	1.6 (1)
Electrical, Gas, Water & Sanitary Services	–	–	9.0 (1)	1.0 (1)
Apparel	2.0 (1)	8.3 (1)	–	–
Timber & Forest Products	–	–	–	–
Paper	17.0 (1)	–	28.2 (1)	–
Packaging & Containers	–	5.9 (2)	–	–
Furniture	–	–	–	–
Toiletries & Cosmetics	–	–	23.7 (2)	–
Plastics & Rubber	–	–	–	–
Primary Metal Processing	–	–	–	–
Fabricated Metal Products	2.5 (1)	–	10.0 (1)	–
Autos & Trucks	–	–	–	–
Automotive Products & Accessories	–	–	–	–
Electrical Equipment	–	137.1 (3)	14.1 (2)	–
Aerospace, Aircraft & Defense	–	–	–	–
Toys & Recreational Products	4.3 (1)	9.6 (1)	–	–
Miscellaneous Manufacturing	38.0 (1)	8.0 (1)	13.3 (1)	–
Mining & Minerals	–	–	–	–
Transportation	–	–	–	–
Communications	3.0 (1)	–	–	–
Broadcasting	–	2.0 (1)	55.0 (1)	–
Wholesale & Distribution	29.7 (3)	55.2 (2)	–	–
Real Estate	–	31.0 (1)	–	–
Energy Services	–	3.0 (1)	–	–
Conglomerate	–	10.7 (1)	0.4 (1)	–
Totals	$1,073.0 (34)	$ 770.1 (31)	$2,490.8 (41)	$2,550.0 (48)

*Base: The number of transactions disclosing a purchase price.

Source: W.T. Grimm Co.

FOREIGN SELLERS
NUMBER OF TRANSACTIONS BY COUNTRY
1976 — 1984

Country of Seller	1976	1977	1978	1979	1980	1981	1982	1983	1984	Nine Year Cumulative
Great Britain	26	24	29	35	38	27	30	39	45	293
Canada	32	32	23	15	15	8	30	35	24	214
France	13	8	3	17	8	12	8	8	15	92
West Germany	8	9	7	10	7	11	12	13	13	90
Japan	8	2	1	2	–	–	3	3	7	26
Australia	7	3	8	6	7	7	6	3	6	53
Italy	–	2	–	4	2	3	2	6	6	25
Spain	–	3	1	7	5	3	–	3	6	28
Hong Kong	–	2	3	2	–	–	4	1	4	16
Belgium	3	4	1	1	1	1	2	1	3	17
Brazil	4	4	2	2	3	4	2	2	3	26
Netherlands	2	3	5	4	3	6	3	8	3	37
Sweden	4	2	2	1	1	2	–	1	3	16
Switzerland	5	2	2	1	2	1	10	11	3	37
Denmark	3	1	2	2	–	2	–	1	2	13
New Zealand	–	–	–	1	–	–	–	–	2	3
Liechtenstein	–	–	–	–	–	–	–	–	1	1
Norway	–	–	1	–	–	–	–	–	1	2
Argentina	–	–	–	1	1	2	–	1	–	5
Austria	1	1	1	1	–	1	1	1	–	7
Bahamas	–	1	–	–	–	–	–	–	–	1
Barbados	–	–	–	–	1	–	–	–	–	1
Chile	–	1	1	–	–	1	–	–	–	3
Colombia	–	–	–	1	–	–	–	–	–	1
Dominican Republic	–	–	–	–	1	–	–	–	–	1
Finland	–	–	–	–	–	–	–	1	–	1
Greece	–	–	1	–	–	–	1	–	–	2
Haiti	–	–	–	–	–	–	–	1	–	1
Iran	–	1	–	–	–	–	–	–	–	1
Israel	–	–	1	–	–	2	–	–	–	3
Jamaica	–	–	1	–	–	–	–	–	–	1
Jordan	–	–	1	–	–	–	–	–	–	1
Luxembourg	–	–	–	–	–	–	1	–	–	1
Malaysia	–	–	–	–	–	–	1	–	–	1
Mexico	3	3	–	2	3	4	1	1	–	17
Nigeria	–	–	–	–	1	–	–	–	–	1
Panama	–	1	–	–	–	–	–	–	–	1
Peru	–	–	–	–	1	–	–	–	–	1
Philippines	–	–	1	–	–	–	–	–	–	1
Puerto Rico	1	3	–	–	–	1	1	2	–	8
South Africa	–	–	–	1	–	–	1	–	–	2
South Korea	–	–	–	1	1	–	1	–	–	3
Sri Lanka	–	–	–	–	–	–	–	1	–	1
Taiwan	–	–	–	1	–	1	–	2	–	4
Uruguay	1	–	–	1	–	–	–	–	–	2
Venezuela	–	–	–	–	–	2	–	1	–	3
Zimbabwe	–	–	–	–	–	–	1	–	–	1
Undisclosed	5	–	1	–	1	–	–	–	–	7
Total Foreign Sellers	126	112	98	119	102	101	121	146	147	1,072

Source: W.T. Grimm & Co.

FOREIGN SELLERS
DOLLAR TOTAL BY COUNTRY
1980 — 1984

Country of Seller	Total Dollar Value (Base*) 1980	1981	1982	1983	1984
Canada	$2,493.0 (5)	$ 155.2 (2)	$ 89.3 (9)	$ 398.6 (11)	$1,191.0 (14)
Great Britain	1,224.4 (15)	552.2 (15)	367.6 (11)	656.5 (16)	554.8 (16)
Australia	3.8 (1)	–	–	–	339.6 (3)
Hong Kong	–	–	8.3 (1)	–	180.8 (3)
West Germany	–	61.7 (4)	13.2 (3)	6.7 (1)	120.4 (2)
France	35.0 (1)	9.3 (3)	43.0 (1)	–	110.1 (4)
Brazil	–	–	–	–	20.0 (1)
Switzerland	–	–	178.0 (3)	565.4 (3)	18.7 (2)
Japan	–	–	–	313.5 (1)	7.0 (1)
Sweden	–	2.5 (1)	–	–	4.9 (1)
Denmark	–	–	–	–	2.7 (1)
Argentina	–	145.0 (1)	–	–	–
Finland	–	–	–	3.0 (1)	–
Italy	–	17.5 (2)	55.0 (1)	288.2 (2)	–
Mexico	11.5 (1)	95.0 (2)	–	6.5 (1)	–
Netherlands	–	26.0 (2)	–	180.2 (3)	–
New Zealand	–	5.6 (1)	–	–	–
Nigeria	3.5 (1)	–	–	–	–
Peru	4.5 (1)	–	–	–	–
Puerto Rico	–	3.0 (1)	2.2 (1)	55.0 (1)	–
Spain	4.0 (1)	–	–	17.2 (1)	–
Zimbabwe	–	–	13.5 (1)	–	–
Totals	$3,779.7 (26)	$1,073.0 (34)	$770.1 (31)	$2,490.8 (41)	$2,550.0 (48)

*Base: The number of transactions disclosing a purchase price.

Source: W.T. Grimm & Co.

AMERICAN ACQUISITIONS OF FOREIGN COMPANIES
1984

Buyer [business and/or product line]	Foreign Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
1. **U.S. Steel Corp.** [integrated steel producer]	**Husky Oil Ltd.- Canada** (Husky Oil Co.-U.S.) [oil/gas exploration & prod'n.]	$ 505.0
2. **Consolidated Foods Corp.** [processed foods & consumer prdts.]	**Nicholas Kiwi Ltd.- Australia-** additional 70% [shoe polish; household cleaners; skin care prdts.]	327.0
3. **Alexander & Alexander Services Inc.** [world's 2nd largest insurance broker]	**Reed Stenhouse Cos. - Canada** [Canada's largest insurance broker]	246.0
4. **Freeport-McMoran Inc. and Transco Energy Co.** - joint buyers [oil/gas exploration]	**Nu-West Group Ltd.- Canada** (Canadian oil/gas assets)	244.0
5. **SCM Corp.** [paints, chemicals; food prdts.; typewriters]	**Laporte Industries PLC-Britain** (titanium dioxide producing units)	125.0
6. **Dun & Bradstreet Corp.** [business information services; publishing; marketing services]	**Datastream PLC-Britain** [electronic business information services]	101.7
7. **Grambling Energy Inc.**	**Husky Oil Ltd.-Canada** (U.S. refining & marketing assets)	100.0
8. **Merrill Lynch & Co.** [diversified financial services]	**Cie. Financiere de Paribas-France** (Becker Paribas) [investment banking]	100.0
9. **Private Investor** [Francis S. Morgan]	**Jardine, Matheson & Co.-Hong Kong** (Hawaiian sugar operations)	95.5
10. **McDermott International Inc.** [offshore oil/gas construction]	**Coutinho, Caro & Co. KGaA-W. Germany** [international engineering & construction]	81.0
11. **InterNorth Inc.** [diversified energy]	**Peninsular & Oriental Steam Navigation Co.-Britain** (P&O Falco, Inc.) [crude oil expl'n. & prod'n.]	58.4
* 12. **McCormick & Co.** [seasonings, flavorings, specialty foods]	**Paterson Jenks PLC-Britain** [herbs, spices, sauces, relishes]	53.5
13. **Hallmark Cards Inc.** [greeting cards & social expression prdts.]	**W.N. Sharpe Holdings-Britain** [greeting cards & stationery]	52.0
14. **Coca-Cola Co.** [soft drinks, juices; filmed entertainment]	**Grand Metropolitan PLC-Britain** (CC Soft Drinks Ltd.) [bottles & dstrs. Coke in southern England]	43.3
15. **Stephens Inc.** [investment banking]	**Overseas Trust Bank of Hong Kong** (Hong Kong Chinese Bank) [commercial banking]	43.0
16. **Security Pacific Corp.** [bank holding]	**Bank of Canton Ltd.-Hong Kong-** remaining 31%	42.3
17. **Clark Equipment Co.** [industrial trucks & construction machinery]	**Daimler-Benz AG-W. Germany** (Euclid Inc.) [heavy construction trucks]	39.4
* 18. **Color Tile Inc.** [retails floor/wall tiles]	**Color Your World Inc.-Canada** [paint & wallpaper stores]	30.1

* Acquisitions appear with more details in the Transaction Roster beginning on page 147.

Buyer [business and/or product line]	Foreign Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
19. **Sandgate Corp.** [vehicle leasing]	**British Car Auction Group PLC-Britain** (Anglo American Auto Auction Inc.)	$ 26.5
20. **Smithfield Foods Inc.** [fresh pork & processed meats]	**Northern Foods PLC-Britain** (Patrick Cudahy Inc.) [pork processor]	23.0
21. **Bankers Trust Co.** [bank holding]	**Banco Iochpe de Investimento S.A.-Brazil**- 50% [investment banking]	20.0
22. **Beverly Enterprises** [health care facilities]	**Bestview Holdings Ltd.-Canada** [nursing homes]	20.0
23. **Marsh & McLennan Cos. Inc.** [insurance brokerage]	**Mercury Securities PLC-Britain** (MPA Holdings Ltd.) [one of the largest employee benefit consulting firms in Britain]	20.0
24. **Zapata Corp.** [offshore drilling; commercial fishing]	**Hanson Trust PLC-Britain** (Seacoast Products Inc.) [fishmeal & fishoil]	19.0
25. **Penn Virginia Corp.** [coal mining equipment]	**Stafag AG-Switzerland** [large screeds used in coal processing]	18.0
26. **Security Pacific Corp.** [bank holding]	**Royal Bank of Canada** (Bankhaus Bohl & Co.) [consumer finance]	13.7
27. **Wendy's International Inc.** [fast food restaurants]	**Wendy's Restaurants of Canada Inc.**- remaining 81% [fast food restaurants]	12.0
28. **Emhart Corp.** [shoe & bottle machinery; builders' hardware]	**ACI International Ltd.-Australia** (Lane Amalgamated Hardware Co.) [architectural, consumer & ind'l. hardware]	11.0
29. **Armco Inc.** [steel producer & fabricator]	**Ivaco Inc.-Canada** (Atlantic Building Systems Inc.) [pre-engineered metal buildings]	8.7
30. **Interface Flooring Systems Inc.** [carpet tile]	**Carpets International-Britain** (carpet tile division)	8.4
31. **Chemed Corp.** [specialty chemicals]	**Brent Chemicals Int'l. PLC-Britain** (Commercial Laundry Chemicals Division)	7.3
32. **Unifi Inc.** [synthetic fibers]	**Courtaulds PLC-Britain** (Lirelle Ltd.) [textiles]	7.0
33. **McDonnell Douglas Corp.** [aircraft, missiles]	**Mitsubishi Chemical Ltd.-Japan** (Optical Information Systems Inc.) [semiconductors & lasers]	7.0
34. **Publishers Equipment Corp.** [newspaper presses]	**Solna Offset-Sweden** (King Press) [newspaper presses]	4.9
35. **Danker Laboratories Inc.** [ophthalmic & contact lenses]	**R.F. Oil Industries Ltd.-Canada** [research & development]	4.4
36. **Barry Wright Corp.** [shock, vibration & noise control prdts.]	**Trafalgar House PLC-Britain** (Cementation Muffelite Ltd.) [vibration control prdts.]	4.0
37. **Cherry Electrical Products Corp.** [electro-mechanical prdts.]	**Compagnie Francais des Petroles-France** (Photovoltaics Inc.) [specialty glass]	3.8
38. **Marsh & McLennan Cos. Inc.** [insurance brokerage]	**Hickling-Johnston Ltd.-Canada** [strategic planning services]	3.5

Buyer [business and/or product line]	Foreign Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
39. **Comdial Corp.** [telephone terminal equipment]	**Horlogerie Photographique Francaise-France**-45.6% [2nd largest telephone maker in France]	$ 3.5
40. **National Controls Inc.** [electronic weighing eqpt.]	**Staveley Industries PLC-Britain** (Electroscale Corp.) [electronic weighing devices]	2.9
41. **Standard Havens Inc.** [hot asphalt prod'n. eqpt.]	**Creusot-Loire-France** (Ermont) [ind'l. eqpt.]	2.8
42. **Adolph Coors Co.** [brewer; foods]	**Royal Worcester Industrial Ceramics Ltd.-Britain** [engineered ceramic materials]	2.8
43. **Nuclear Data Inc.** [printed circuit boards]	**Molsgaard Medical APS-Denmark** [bond density scanner]	2.7
44. **Intergraph Corp.** [computer graphics systems]	**Intergraph Systems Ltd.-Canada**-remaining 57% [computer graphics]	2.0
45. **Keystone International Inc.** [butterfly valves]	**Electrical Equipment Ltd.-Australia** (Waval Valve Division) [butterfly valves]	1.6
46. **Browing-Ferris Industries Inc.** [waste management services]	**T. Puckrin & Son Ltd.-Canada** [solid waste disposal services]	1.0
47. **Luther Medical Products Inc.** [intravenous catheter systems]	**Cobra Inc.-Switzerland** [Luther's European distributor]	0.7
48. **Wentex International Inc.** [oil/gas expl'n. & development]	**Seawind Resources Inc.-Canada** [oil/gas wells]	0.6

Source: W. T. Grimm & Co.

ACQUISITION LEADERS

There are 26 companies on the W. T. Grimm & Co. aggressive buyer roster for 1984, each one acquiring five or more concerns, and accounting for a grand total of 182 acquisitions. This compares with 193 acquisitions by 33 aggressive buyers during 1983. The 1982 roster listed 25 companies contributing a total of 153 purchases.

All but three of the entries on the 1984 list were newcomers. The three returning aggressive acquirers were Allegheny Beverage Corp., Security Pacific Corp., and McKesson Corp.

The 26 aggressive buyers of 1984 and the number of known acquisition proposals initiated by each are indicated here along with the types of product lines and businesses that were acquired. Brief summaries of the companies' corporate strategies and acquisition programs are also provided to demonstrate the role of acquisitions in corporate growth and expansion, diversification, and restructuring plans.

AGGRESSIVE BUYERS

1984

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Allegheny Beverage Corp.	15	**food services - laundry services - building maintenance services**

Originally in the business of supplying carbonated beverages, Allegheny now ranks among the largest diversified service companies, providing foodservice and vending, coin-operated laundry and building maintenance services, in addition to retail office furniture operations and its carbonated beverage business. The company's transformation took place in 1981 when Allegheny completed its acquisition of The Macke Co. Since 1981, Allegheny continued to increase market share in its industries by acquiring 21 companies, 15 of which were purchased in 1984. Because of Allegheny's recent aggressiveness, the company also became an acquisition leader covering the last six years. (See page 77.) Management's goal is to turn Allegheny into the largest, most profitable service company in the country.

National Medical Enterprises inc.	13	**home health care prdts. & services - health care facilities - specialized medical services**

The most aggressive acquirer over a six-year cumulative period (see page 77), National Medical Enterprises (NME) achieved solid progress in the health services industry due, in part, to its aggressive and successful acquisition strategies which focus on new and emerging health care fields such as capitated health plans and home health care. Responding to the structural realignment in U.S. health care, NME in 1984 continued to broaden its network of services in the rapidly growing home health care market and expand the geographic scope of its long term care operations.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Dun & Bradstreet Corp.	12	**specialty publishing - credit rating services - marketing research services - computer software systems - electronic business information services**

Having divested itself of businesses not related to its main activities, Dun & Bradstreet concentrated on strengthening its leading position in the business services and information industry. Adhering to its strategy of seeking acquisitions with strong positions in targeted market segments, D&B acquired the leader in media and consumer product research, A. C. Nielsen Co., for $1.6 billion, the 11th largest acquisition in 1984. D&B also continued to invest in the fast-growing applications software market of the computer services industry. D&B ranked 15th in the cumulative six-year aggressive buyer roster on page 77.

Cronus Industries Inc.	9	**data management services - commercial microfilm services - computer services - preengineered buildings - extruded prdts.**

Having entered the information services industry through its 1983 acquisition of Business Records Corp. (BRC), Cronus in 1984 expanded BRC's capabilities to provide specialized data and proprietary services. Cronus, a multi-industry corporation, also acquired businesses related to its two other fields, preengineered metal buildings and heat transfer equipment.

ConAgra Inc.	8	**commodities brokerage - agri-chemicals distribution - animal & pet health supplies & accessories - beef processing**

Committed to becoming a major worldwide trader, merchandiser, and marketer of foodstuffs, food related commodities, and other commodities, ConAgra moved significantly closer to this objective during 1984, and plans to further enhance its worldwide trading position in future years. With over $1 billion in current annual sales, ConAgra's goal is to reach $10 billion in sales. ConAgra ranked 13th in the six-year cumulative roster on page 77.

Norstar Bancorp	8	**municipal security brokerage - actuarial consulting - banks**

Norstar, an Albany, New York-based regional bank holding company, expanded both the range and scope of its banking activities and those closely related to banking so as to adapt to the ongoing process of deregulation in the financial services industry.

Security Pacific Corp.	8	**securities brokerage - insurance premium financing - management consulting services - electronic data services - banks**

Also responding to deregulation, Security Pacific continued its strategy of diversification into all areas of financial services, as well as geographic expansion. Because Security implemented these acquisition programs in the early '70s, it ranked seventh in the six-year roster.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Coelco Ltd.	7	**oil & gas exploration - solar energy systems - commercial printing - proprietary chemicals - laser entertainment**

With annual sales of $7 million, Coelco is the smallest company on 1984's aggressive buyer list. Coelco, a coal, oil and gas exploration company, went public in March, 1984 and used the fresh capital to acquire companies in a variety of businesses.

Johnstown American Cos.	7	**commercial property management - real estate brokerage & leasing - mortgage brokerage**

Already the country's largest residential property manager, Johnstown American seeks to provide the highest level of professional services to the real estate industry. The company's services fall into four general groups: property management, brokerage and leasing, financial services (mortgage banking), and investment and consulting services.

MacMillan Inc.	7	**educational & specialty publishing - translation services - direct response advertising**

MacMillan's acquisition program targets those companies complementary to its existing core of three businesses: publishing, information services, and for-profit schools. Because the current market for MacMillan's elementary and school textbooks is especially strong, MacMillan aggressively acquired businesses in educational publishing.

McGraw-Hill Inc.	7	**publishing - microcomputer software - marketing research - business information services**

McGraw-Hill also acquired companies related to its existing businesses which include book and magazine publishing, business information services, and computer services. Most of McGraw-Hill's 1984 acquisitions were in the computer area because the company is creating new services, software and computer-related print products to serve changing information needs. McGraw-Hill ranked 29th in the six-year roster.

Dart & Kraft Inc.	6	**herbal teas - bakery goods - proprietary disposable medical prdts. - exercise machinery**

After several years of pursuing profits through diversification, Dart & Kraft is refocusing on the basic food businesses. In the last three years, Dart & Kraft has divested companies and withdrawn from markets which had little growth potential or inherently low returns. Its objective is to increase unit sales of existing products, extend product lines and develop new products, and acquire complementary product lines. In addition to its food acquisitions, Dart & Kraft also purchased businesses to add to its Special Products and Duracell & Hobart units.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
General Motors Corp.	6	**computer services - business information systems design - machine vision**

General Motors' newly developed strategy entails the acquisition of cutting-edge technology that will advance the company's carmaking activities as well as provide new revenues. See page 10 for a discussion of GM's acquisition of Electronic Data Systems Corp.

Litton Industries Inc.	6	**overhead conveyor systems - petroleum & mineral industry services - data processing systems - electronic medical equipment - drilling core measurement & analysis services**

In the last two years, Litton has been executing its program to sharpen the focus of its operations through acquisitions and divestitures. (Litton also made the 1984 list of Aggressive Divesters on page 81.) Litton's goal is to be a preeminent supplier of high tech products and services in each of its three businesses: advanced electronics and defense, geophysical exploration and service, and industrial automation systems.

McGraw-Edison Co.	6	**snaps, buckles & pulleys - pressure washers for commercial cleaning - alternators & lighting fixtures**

McGraw-Edison, a broadly based manufacturer serving basic markets for electrical energy, has been moving out of the depressed process equipment industry and concentrating on its fuse and lighting products operations and chain business.

McKesson Corp.	6	**paper office prdts. distribution - diet drugs & pharmaceuticals distribution - over the phone legal services**

Having divested its dairy and food operations, McKesson's aim is to broaden its role in distribution, with particular focus on health care products and services, through acquisitions and internal development. As the result of a $100 million investment in computer technology over the past 10 years, McKesson's distribution companies have been transformed from high-cost, labor-intensive operations to highly automated businesses providing a growing number of services to its customers at lower mark-ups.

Philadelphia Saving Fund Society	6	**mortgage banking**

Philadelphia Saving, one of the largest thrift institutions in the U.S., expanded its mortgage financing operations.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Acme-Cleveland Corp.	5	**laser systems - electronic programmable switches & encoders - telecommunication prdts. - electronic proximity sensors - master gears, spline & thread gauges**

For the past three years, Acme management has carried out a restructuring program to transform the company from a mechanically-based business to one driven by electronics, software and advanced manufacturing technologies. Like many other old line capital goods manufacturers, Acme-Cleveland was saddled with excess capacity, outmoded plants, and obsolete inventories. Restructuring was critical to the company's survival. Acme-Cleveland's goal is to have a substantial percentage of the company's business in products and markets new to the company before the cycle for its traditional metal cutting industries turns down again.

American Physicians Service Group Inc.	5	**office mgmt. services for hospital based physicans - computer services to health care industry - patient billing services**

American Physicians supplies business and financial products and services to health-care providers. Having gone public in September, 1983, American has been able to accelerate its growth through more acquisitions and geographic expansions. Its corporate strategy is to maximize the products and services delivered to its existing client base and increase the base through carefully selected acquisitions and expansion, thereby positioning itself as the national leader in providing a single source of all non-medical services and products for the health-care industry.

Bairnco Corp.	5	**solid state fiber optic communication devices - office interior design - plastics & composites for aerospace industry - precision chassis for electronics industry**

Bairnco's strategy of new market penetration, new product development, and acquisitions concentrates on two core product areas which management believes provides the best opportunity for growth in the 1980s: lighting and electronics.

Browning-Ferris Industries Inc.	5	**solid waste disposal & collection services**

Browning-Ferris, a solid waste management concern, plans to continue to add new profit centers to its existing base through new municipal contracts, new disposal sites, and acquisitions of independent waste collection and disposal companies. The company's strategy is to bring organization and economies of scale to a business traditionally dominated by small local operators and municipal services. Through acquisitions and aggressive marketing, Browning's market share has climbed since 1979 from 6% to about 8%.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
EG&G Inc.	5	**printed circuit boards - precision electronic measurement instruments for oceanographic applications - infrared detectors - oscillators - power supplies for main frame computers**

EG&G is a collection of diversified, specialized technical businesses serving markets such as the government's military and space programs. The contribution of all the many specialized market niches have permitted EG&G's earnings per share to increase in each of the last 14 years. Hence, the company's acquisition strategy also stresses investment in highly specialized technological companies serving small markets. Because of EG&G's continued search for selected acquisitions, it appears on the six-year list in the 37th position.

Jostens Inc.	5	**business schools - binders & briefcases - educational services**

Jostens manufactures custom-made products for use in business, education and athletics. Primary products include class rings, yearbooks, specialized jewelry, and awards for business. In 1984, Jostens diversified into the proprietary business school market. The decision was based on the excellent growth potential for private, post secondary schools.

Owens-Illinois Inc.	5	**glass tubing & vials - medical supplies & equipment distribution - health care facilities**

Owens-Illinois, a manufacturer of glass, containerboard, corrugated and solid fiber containers, has set upon a new course due to the realization that the future growth of glass containers would be limited by the advent of new forms of packaging. It has recently diversified into health care and the mortgage finance field.

Sheller-Globe Corp.	5	**custom injection & structural plastics - binders & data storage prdts. - insulation materials for autos - metal office furniture**

Sheller-Globe, primarily a manufacturer of automotive products, also has two other business units which together account for only 15% of all Sheller-Globe's annual sales. They are office products and electronic equipment. Sheller-Globe's acquisitions in 1984 were divided between the automotive and office fields.

Xidex Corp.	5	**computer storage disks - flexible magnetic disks - magnetic media supplies distribution**

Xidex, a leading manufacturer of data storage media, is dedicated to growth and expansion in its primary business of media and related products for the computer industry.

A listing of the most aggressive acquirers over a six-year cumulative period, companies which have acquired a total of 16 or more companies, appears in the subsequent figure. Some observations include the following:

* The list consists of 43 companies which together made a total of 917 acquisitions since 1979, representing 7% of all merger and acquisition activity over the last six years.

* Among the 43 companies, there are a total of 10 bank holding companies, of which five are based in Texas. They are Allied Bancshares, Southwest Bancshares, First City Bancorp, Mercantile Texas, and Texas American Bancshares. The other five are Florida-based Barnett Banks and Sun Banks, Banc One Corp. of Ohio, Hawkeye Bancorporation of Iowa, and Security Pacific of California. Note that the five Texas bank holding companies along with Hawkeye Bancorp and Banc One did not make any acquisitions in 1984, reflecting the depressed state of the banking industry. Loan losses and nonperforming assets are at exceptionally high levels. The nature of the bad loans varies by geographic region and by the banks' business emphasis. The Texas banks have been victims of energy patch loans, while Hawkeye, located in the farmbelt, has been hit by depressed conditions in the agricultural community. Banc One has had large losses on credit card loans. Barnett Banks and Sun Banks, on the other hand, were able to make acquisitions because of their minimal exposure to problem loans. Moreover, they are based in Florida, a growing state economy. Security Pacific, which also made acquisitions, had noninterest income gains from its financial services businesses. A gradual diversification program since the '70s has transformed Security Pacific from a regional lender to a worldwide provider of financial services.

* Second-ranked Merrill Lynch, while further expanding into securities brokerage, has also been diversifying into real estate brokerage, insurance, and other financial services.

* Fourth-ranked W.R. Grace & Co., a well-known conglomerate, expanded into the oil field services and retail industries in 1979 and 1980, and diversified into agricultural chemicals and oil and gas production in 1981 through 1983. Because some of these diversification efforts did not fare well, Grace management has decided to enter fast growing high-tech fields in order to position the company for growth in the 1990s. Its 1984 acquisitions were concentrated in advanced medical care and biotechnology.

* General Electric, the fifth acquisition leader, also ranked fourth in the six-year aggressive divester roster (page 82). With heavy R&D investments and an accelerated rate of acquisitions and divestitures, GE has been shifting its businesses toward high-technology products and high growth services.

* American Express, ranking sixth, has been busy assembling a complete array of financial services and products. Through its 1981 acquisition of Shearson Loeb Rhodes and 1984 purchase of Lehman Bros. Kuhn Loeb, it has gained a major position in investment banking. It solidified its international base with the 1983 acquisition of the Swiss Trade Development Bank.

* Eighth-ranked Centel Corp. has been expanding into cable television and the manufacturing/distribution of communications related products. Centel, one of the largest independent phone systems in the country, expects the proportion of revenues derived from regulated utility operations to decline.

* Ninth-ranked Pengo Industries and 30th-ranked Nucorp Energy were the most aggressive acquirers in 1981. Both are among the many casualties of the depressed energy industry. Pengo has suffered losses for the last three years, while Nucorp has been operating under Chapter 11 of the bankruptcy laws.

* Alco Standard, the tenth acquisition leader, has been active in the acquisition market for many years, acquiring businesses in manufacturing, mining and distribution. In the last two years, however, Alco has decided to focus on distribution, with special emphasis on the paper and health products areas, which have the highest returns and growth potential.

* Eleventh-ranked Allied Corp., previously known as Allied Chemical, adopted its present name in 1981 to reflect its transformation into a diversified high-technology concern through its aggressive acquisition strategy. Allied's well publicized 1982 acquisition of Bendix Corp. reduced Allied's dependence on oil and gas, made Allied much less capital-intensive, and further diversified Allied's operations into higher technology and higher value added products.

* Thomas Tilling, ranking 18th, is the only foreign corporation on the list. Having aggressively pursued acquisitions of American companies, this British conglomerate was acquired by BTR Ltd., another diversified British company, in 1983.

* Twentieth-ranked General Signal Corp., a leading producer of electronic, electrical, hydraulic and pneumatic control systems, has in recent years developed into a leading-edge company in semiconductor technology. General Signal continues to enter other high-tech fields by expanding its capabilities in telecommunications through acquisitions and R&D investments.

* Over the years, 28th-ranked Gannett acquired a number of small newspapers that were leaders in their hometown markets. Because prize newspaper acquisition candidates have become scarce, Gannett has been acquiring broadcasting outlets and billboard advertising businesses.

* Healthdyne, ranking 39th, emerged from 1983 as a mid-sized medical technology and service corporation with a diverse product line of critical care medical devices, home care products and high-tech disposables. Concerned by the company's original dependence on one product and market, management embarked on a plan to rapidly diversify Healthdyne.

* Having experienced losses in the last two years, 40th-ranked Anacomp, a computer services concern, made no acquisitions in 1983 and 1984.

* Three companies on the list are no longer publicly traded companies. Metromedia (ranked 16th) went private in 1983 through a leveraged management buyout valued at $1.5 billion, the largest such buyout thus far. Esmark (ranked 27th) in 1984 was acquired by Beatrice Foods (ranked 19th) for $2.5 billion, the second largest food industry acquisition in history. Cooper Laboratories (ranked 34th) is in the process of liquidating, with its assets to be distributed by June 28,1985.

ACQUISITION LEADERS

1979 — 1984

Company	Number of Acquisitions						Six-Year Total
	1979	1980	1981	1982	1983	1984	
National Medical Enterprises Inc.	2	2	10	5	4	13	36
Merrill Lynch & Co.	1	7	9	8	6	4	35
Allied Bancshares Corp.	6	5	10	4	7	–	32
W.R. Grace & Co.	8	10	5	2	3	4	32
General Electric Corp.	4	6	8	3	6	4	31
American Express Co.	3	4	5	7	5	4	28
Security Pacific Corp.	1	1	3	8	7	8	28
Centel Corp.	3	5	10	4	–	3	25
Pengo Industries Inc.	4	7	13	–	–	–	24
Alco Standard Corp.	2	2	9	–	6	4	23
Allied Corp.	1	7	8	2	3	2	23
American Hospital Supply Corp.	1	4	3	8	5	2	23
ConAgra Inc.	2	3	4	3	3	8	23
Allegheny Beverage Co.	–	1	–	–	6	15	22
Dun & Bradstreet Corp.	3	2	–	1	4	12	22
Metromedia Inc.	1	2	2	9	8	–	22
Southwest Bancshares Corp.	3	2	10	4	3	–	22
Thomas Tilling Ltd.	6	7	6	2	–	–	21
Beatrice Foods Corp.	3	–	4	7	3	3	20
General Signal Corp.	2	5	4	1	6	2	20
Minnesota Mining & Mfg. Co.	5	1	4	6	1	3	20
Automatic Data Processing Inc.	4	4	6	1	3	1	19
Barnett Banks of Florida	2	3	2	4	4	4	19
Honeywell Inc.	3	2	2	6	3	3	19
Mercantile Texas Corp.	1	2	11	4	1	–	19
Penn Central Corp.	4	3	4	–	5	3	19
Esmark Inc.	2	2	3	5	5	1	18
Gannett Co. Inc.	6	2	4	4	–	2	18
McGraw Hill Inc.	5	1	–	3	2	7	18
NuCorp Energy Inc.	–	5	13	–	–	–	18
Texas American Bancshares Corp.	–	1	9	4	4	–	18
Banc One Corp.	1	3	6	4	3	–	17
Beverly Enterprises	1	3	4	2	4	3	17
Cooper Laboratories Inc.	2	5	3	3	4	–	17
Dana Corp.	2	7	3	3	1	1	17
Dynatech Corp.	4	4	4	2	1	2	17
EG&G Inc.	–	2	3	3	4	5	17
First City Bancorp	4	4	7	1	1	–	17
Healthdyne Inc.	–	1	–	4	8	4	17
Anacomp Inc.	6	6	3	1	–	–	16
Doyle Dane Bernbach	4	4	1	1	6	–	16
Hawkeye Bancorporation	2	3	4	6	1	–	16
Sun Banks of Florida Inc.	1	–	5	3	4	3	16
Totals	115	150	224	148	150	130	917

Source: W.T. Grimm & Co.

Figure 20.

DIVESTITURES

Divestitures, sales of a product line, subsidiary or division, numbered 900 (36% of all acquisition activity), down 3% from 932 (37%) in 1983. While it is too early to know if the slight decline in divestitures is an aberration or setting a trend, one reason for the slowdown is the decrease in unit management buyouts which dropped to 122 in 1984 from 139 in 1983. (See page 88.)

DIVESTITURES
1966—1984

Year	Number	Percent of all Transactions	Year	Number	Percent of all Transactions
1966	264	11%	1975	1,236	54%
1967	328	11%	1976	1,204	53%
1968	557	12%	1977	1,002	45%
1969	801	13%	1978	820	39%
1970	1,401	27%	1979	752	35%
1971	1,920	42%	1980	666	35%
1972	1,770	37%	1981	830	35%
1973	1,557	39%	1982	875	37%
1974	1,331	47%	1983	932	37%
			1984	900	36%

Source: W. T. Grimm & Co.

Figure 21.

Historical Note

Divestitures as a percentage of all transactions accelerated in the aftermath of the conglomerate era of the late '60s and peaked in 1975-1976 as the recession of 1974-75 compelled many companies to raise capital by selling certain business segments.

Dissatisfaction with earlier diversification efforts and a recessionary economic climate were once again responsible for an increase in divestment activity in the early '80s. Corporate divestitures increased from 666 in 1980 to 932 in 1983. The diverse holdings that were supposed to help companies balance gains and losses were of little value during the last recession (1981-1982), when the deepest downturn since the Great Depression undermined sales in virtually every market which took a severe toll on corporate profits. Consequently, U.S. corporations reevaluated both the composition of their business mix and the profitability of individual units. Armed with a renewed emphasis on efficiency, tighter control and product quality, companies proceeded to divest slow-growing, cash-draining and unrelated business units and, in turn, to refocus on businesses they know best.

For example, in the largest divestiture of 1984, R. J. Reynolds Industries Inc. sold its energy operations to Phillips Petroleum Co. for $1.7 billion in order to redeploy assets into the company's core consumer businesses of cigarettes, food and beverages. A product of the conglomerate merger wave of the 1960s, ITT Corp. divested Continental Baking Co. to Ralston Purina Co. for $475 million, 1984's ninth largest divestiture. ITT plans to use the proceeds of the sale to pay down debt, thereby enabling the company to execute its plans to break into the U.S. telecommunications market. ITT hopes to capitalize on the advanced technology that made it a leader in telephone systems abroad.

DIVESTITURES
TOTAL DOLLAR VALUE PAID
1981—1984

	Total Dollar Value Paid (millions of dollars)	Base*	Number Divestitures Valued at $1,000MM or More	Average Purchase Price
1981	$16,695.6	366	-	$45.6
1982	16,050.3	317	-	50.6
1983	24,173.9	376	2	64.3
1984	29,379.0	401	3	73.3

*Base: The number of transactions disclosing a purchase price.

Source: W. T. Grimm & Co.

Figure 22.

The total dollar value paid for divestitures rose 76% from $16.7 billion in 1981 to $29.4 billion in 1984, while the average purchase price increased 61% to $73.3 million from 1981's $45.6 million. These dollar gains are attributable to a growing number of divisional sales valued at $100 million or more. In 1984, $100 million-plus divestitures accounted for 21% of all unit sales, more than double the 10% in 1981.

VALUE OF DIVESTITURES
1979—1984

	Number (Percent of Transactions Disclosing Price)					
Price Paid Value	1979	1980	1981	1982	1983	1984
$ 5 million or less	112 (35%)	73 (28%)	106 (29%)	82 (26%)	108 (29%)	69 (17%)
$ 5.1 - 10.0 million	61 (19%)	56 (21%)	66 (18%)	60 (19%)	55 (15%)	54 (13%)
$10.1 - 15.0 million	30 (9%)	24 (9%)	39 (11%)	32 (10%)	30 (8%)	32 (8%)
$15.1 - 25.0 million	37 (12%)	23 (9%)	38 (10%)	30 (9%)	34 (9%)	47 (12%)
$25.1 - 50.0 million	43 (13%)	36 (14%)	51 (14%)	37 (12%)	57 (15%)	65 (16%)
$50.1 - 99.9 million	19 (6%)	22 (8%)	29 (8%)	35 (11%)	39 (10%)	51 (13%)
$100 million or more	20 (6%)	30 (11%)	37 (10%)	41 (13%)	53 (14%)	83 (21%)
Base	322	264	366	317	376	401

Base: Number of transactions disclosing a price.

Source: W. T. Grimm & Co.

Figure 23.

The increase in larger sized divestments reflects the determination of U.S. corporate managers to streamline operations and strengthen balance sheets. Whether they are redeploying assets to support core businesses or shifting operations to serve growth markets, corporations are no longer reluctant to sell long established subsidiaries or divest sizable businesses acquired only a few years earlier, with some managers even acknowledging former acquisition blunders. Aetna Life & Casualty Co. acquired Geosource Inc., an oil field services and equipment concern, for $638 million in 1982, shortly before the collapse of the energy industry. In 1984, Aetna sold the services portion of Geosource to Gearhart Industries Inc. for $350 million and divested the manufacturing operations to a group of Geosource managers for $140 million.

The rash of multibillion-dollar acquisitions over the last four years has also contributed to the increase in $100 million-plus divestitures. Because many firms took on heavy debt loads to finance their acquisitions, they are selling assets to raise cash for debt repayment. In addition to paying down acquisition-related debt, these same firms are utilizing divestitures to rationalize the newly acquired entities.

Soon after completing its 1984 acquisition of Continental Group Inc. for $2.5 billion, Kiewit-Murdock Investment Corp., owned by the construction firm Peter Kiewit Sons' Inc. and investor David Murdock, divested certain Continental assets for over $1 billion. Kiewit-Murdock sold Florida Gas Transmission Co. to Houston Natural Gas Corp. for $800 million, the fourth largest divestiture in 1984. Kiewit-Murdock also divested a bleached paperboard mill and related operations located in Augusta, Georgia to Federal Paper Board Co. for $260 million.

Some corporate managers utilize divestitures as a defense tactic against unwanted suitors. Morton Thiokol Inc. chose to sell a profitable division rather than be entirely taken over by Dow Chemical Co. In November, 1984, Dow announced it was going to apply for FTC permission to boost its 8% Thiokol holding to 15%. Within days, Thiokol agreed to sell its Texize division to Dow for $247.6 million which included $131 million in cash and Dow's holding in Thiokol. Dow also signed an agreement not to buy additional Thiokol shares for ten years.

A listing of the 50 largest divestitures of 1984 begins on page 85.

Figure 24 lists 1984's most aggressive divesters, those companies divesting four or more units in one year. Beatrice Cos. heads the list with 12 divestitures. Before the company acquired Esmark Inc., Beatrice had embarked on a major restructuring program entailing the divestiture of 50 companies with combined sales of $900 million within two years. Beatrice planned to divest most of its cyclical and capital-intensive units and to realign its domestic profit centers into a much smaller number of business units. These units are being organized along marketing lines aimed at achieving efficiencies in cost, productivity and distribution. With its $2.5 billion acquisition of Esmark, Beatrice is much closer to becoming a sophisticated national packaged-goods marketer. The Esmark acquisition does, however, strain Beatrice's finances and further taxes management in its efforts to not only continue the restructuring program, but to also integrate Esmark's assorted businesses. Beatrice financed part of the acquisition by selling off selected pieces of Esmark and completing the sale of Beatrice units.

Having acquired Getty Oil for over $10 billion, Texaco divested non-oil related units of Getty, including the $1.08 billion sale of Employers Reinsurance Corp. to General Electric Co. Texaco also sold off selected oil and gas assets of Getty to meet government terms for approving the merger with Getty.

Reflecting the poor conditions in the capital equipment and systems markets, McNeil Corp. divested product lines of its Cleveland Crane & Engineering Division, allowing McNeil to apply the additional capital to its more profitable operations in lubrication systems and environmental pumps.

National Distillers & Chemical Corp. disposed of assets unrelated to its primary businesses of chemicals, spirits and wines, and liquified petroleum gases. The company divested all its metals operations which manufacture brass, bronze, and copper products along with sheet wire and tubing. National also sold a crude-oil refinery and service station assets, which were both a part of Suburban Propane, a company National acquired in 1983.

Having aggressively expanded its cable operations in the last few years, Storer Communications implemented a program to divest the company of certain cable systems that are either not geographically well located, or will create too much financial strain in the immediate future.

Amfac Inc. disposed of business segments not meeting specified financial targets and will instead focus on core businesses that show the greatest growth and profit potential, including land development, Amfac's growing Distribution Group, and selected retail segments. Amfac's divestitures included all its horticultural retail operations and a tour business located in Hawaii.

Georgia-Pacific management is transforming this leading supplier of plywood and building products, into a major papermaker. Thus far, the company sold off its commodities chemicals, and marginal paper and plywood operations. Anticipating much less growth in building materials, Georgia-Pacific plans to focus on paper in three specific segments: tissues, corrugated cardboard boxes, and white paper used for writing and printing. All three are growing and generate higher returns on investment than does plywood.

Among the 19 aggressive divesters of 1984, three sold off assets to salvage their deteriorating balance sheets from further losses: Baldwin-United Corp., Continental Illinois Corp., and Warner Communications. Having filed a Chapter 11 petition for bankruptcy in 1983, Baldwin-United continued its divestiture program. Continental Illinois Corp.'s divestitures were in line with the government's plan to shrink its assets and sell operations not essential to its main banking business. Continental's divestitures included its credit card business, mortgage banking and servicing operations, leasing unit, and its merchant bank subsidiary located in London. Warner Communications sold subsidiaries unrelated to its core businesses of records and movies, including the $240 million sale of loss-ridden Atari Inc. to Jack Tramiel, former president of Commodore International Ltd.

AGGRESSIVE DIVESTERS

1984

Selling Parent Company	Number of Divestitures
Beatrice Cos.	12
Texaco Inc.	8
Allied Corp.	5
Baldwin-United Corp.	5
Continental Illinois Corp.	5
ITT Corp.	5
Litton Industries Inc.	5
McNeil Corp.	5
National Distillers & Chemical Corp.	5
Storer Communications Inc.	5
Warner Communications Inc.	5
Westinghouse Electric Corp.	5
Aetna Life & Casualty Co.	4
Amfac Inc.	4
Dresser Industries Inc.	4
Georgia-Pacific Corp.	4
St. Regis Corp.	4
Standard Oil Co. of Indiana	4
Union Carbide Corp.	4

Source: W. T. Grimm & Co.

Figure 24.

The most aggressive divesters over a six-year cumulative period are listed in Figure 25. They are companies which divested ten or more units over the last six years. Some observations include the following:

* The list contains 31 companies which together divested a total of 460 businesses, or 9% of all divestitures for the six-year span.

* Seven of the 31 companies were acquirers in multi-billion dollar transactions: Beatrice Cos., Allied Corp., General Electric Co., Du Pont Co., RCA Corp., Sun Co., Baldwin-United Corp.

* Six other companies, while not involved in billion dollar deals, did make at least one substantial acquisition in the last six years which in most cases represented that company's largest acquisition: Allegheny International Inc., Westinghouse Electric Corp., Esmark, Inc., McGraw-Edison Co., Coca-Cola Co., National Distillers & Chemical Corp.

* Seven aggressive divesters experienced earnings losses in at least two of the last six years: Wickes Cos., itel Corp., Genesco Inc., International Harvester Co., Baldwin-United Corp., Charter Co., and Saxon Industries Inc.

AGGRESSIVE DIVESTERS
1979—1984

Selling Parent Company	Number of Divestitures 1979	1980	1981	1982	1983	1984	Six-Year Total
Beatrice Cos.	6	1	7	3	9	12	38
Allied Corp.	5	2	3	5	8	5	28
ITT Corp.	4	8	6	2	2	5	27
General Electric Co.	2	-	1	4	12	3	22
DuPont Co.	2	-	-	8	6	3	19
Allegheny International Inc.	2	2	1	7	4	2	18
Westinghouse Electric Corp.	1	-	3	4	4	5	17
Union Carbide Corp.	3	5	3	-	1	4	16
Metromedia Inc.	2	2	2	5	2	2	15
RCA Corp.	-	7	3	3	2	-	15
Wickes Cos.	1	1	3	4	4	2	15
Sun Co.	-	2	5	3	2	2	14
Consolidated Foods Corp.	4	3	2	-	3	1	13
Esmark Inc.	2	7	-	-	1	3	13
Itel Corp.	6	7	-	-	-	-	13
Bankers Trust Co.	5	-	4	2	-	1	12
Colgate-Palmolive Co.	4	4	2	1	1	-	12
Firestone Tire & Rubber Co.	-	1	3	6	-	2	12
Genesco Inc.	5	4	1	-	2	-	12
International Harvester Co.	-	-	3	6	2	1	12
McGraw-Edison Co.	2	5	-	2	-	3	12
Baldwin-United Corp.	-	-	-	1	5	5	11
Charter Co.	-	1	4	3	1	2	11
Coca Cola Co.	-	1	4	-	4	2	11
Saxon Industries Inc.	-	-	-	5	2	4	11
G. D. Searle & Co.	1	-	6	1	3	-	11
Dow Chemical Co.	1	2	-	4	2	1	10
National Distillers & Chemical Corp.	1	1	1	1	1	5	10
NL Industries Inc.	5	1	2	1	-	1	10
St. Regis Corp.	1	-	1	2	2	4	10
Storer Communications Inc.	2	1	2	-	-	5	10
Totals	67	68	72	83	85	85	460

Source: W. T. Grimm & Co.

Figure 25.

Divestiture totals for each of the 50 industry classifications are provided below.

DIVESTITURES
INDUSTRY CLASSIFICATIONS
1981—1984

Selling Industry Category	Number of Divestitures 1981	1982	1983	1984	Four Year Cumulative Total
Agricultural Production	10	2	7	10	29
Food Processing	37	27	27	29	120
Beverages	12	14	5	8	39
Apparel	12	9	6	6	33
Textiles	12	7	6	6	31
Timber & Forest Products	4	2	3	2	11
Paper	5	10	6	10	31
Packaging & Containers	12	10	20	16	58
Furniture	3	4	8	5	20
Building Products & Materials	14	16	11	10	51
Household Goods	13	16	14	17	60
Printing & Publishing	22	31	28	24	105
Chemicals, Paints & Coatings	38	29	37	43	147
Drugs, Medical Supplies & Equipment	24	24	20	19	87
Toiletries & Cosmetics	—	6	6	5	17
Plastics & Rubber	11	19	23	19	72
Stone, Clay & Glass	16	8	16	17	57
Primary Metal Processing	18	15	28	30	91
Fabricated Metal Products	13	17	35	25	90
Industrial & Farm Machinery & Equipment	38	62	55	47	202
Construction, Mining & Oil Field Equipment	6	8	8	7	29
Valves, Pumps & Hydraulics	14	5	12	7	38
Autos & Trucks	5	2	1	1	9
Automotive Products & Accessories	13	20	8	11	52
Electrical Equipment	19	28	31	22	100
Office Equipment & Computer Hardware	14	11	30	17	72
Electronics	21	24	24	18	87
Aerospace, Aircraft & Defense	6	8	7	4	25
Instruments & Photographic Equipment	21	19	27	25	92
Toys & Recreational Products	18	16	5	9	48
Miscellaneous Manufacturing	13	14	19	16	62
Oil & Gas	26	21	33	37	117
Mining & Minerals	15	15	9	6	45
Transportation	13	18	12	17	60
Communications	7	14	4	5	30
Broadcasting	23	32	44	59	158
Electrical, Gas, Water & Sanitary Services	1	3	14	3	21
Wholesale & Distribution	35	35	30	37	137
Retail	47	35	42	45	169
Banking & Finance	37	61	45	45	188
Insurance	33	29	25	32	119
Real Estate	7	6	8	5	26
Brokerage, Investment & Management Consulting Services	8	11	14	25	58
Computer Software, Supplies & Services	13	22	26	26	87
Construction Contractors & Engineering Services	15	11	9	9	44
Energy Services	15	4	8	6	33
Health Services	13	14	10	11	48
Leisure & Entertainment	23	20	15	15	73
Miscellaneous Services	34	40	51	30	155
Conglomerate	1	1	—	2	4
Total Divestitures	830	875	932	900	3,537

Source: W. T. Grimm & Co.

Divestitures accounted for more than half of merger and acquisition activity in each of the industry classifications listed in Figure 26. As plastic containers continue to capture an increasing market share of the Packaging & Containers industry, producers of paper bags, cans and glass containers are faced with excess capacity, resulting in asset sales. A high concentration of divestments is typical for Broadcasting. Because the FCC ownership rule prohibits any one company from owning a specified number of AM and FM radio, and television stations, broadcasters, in order to complete their acquisitions, are required to divest stations to comply with the FCC rule. (See page 38 for a discussion of the FCC ownership rule and its recent liberalization.) Adding to the increase in Broadcasting divestitures are cable television operators selling off unprofitable urban franchises. More paper units are being divested as forest products companies choose to specialize in fewer types of paper to become more cost effective. To minimize their reliance on the cyclical construction market, companies in the Stone, Clay & Glass industry are shrinking their operations and moving into such unrelated areas as financial services and health care. Due to the depressed state of the Fabricated Metal Products and Construction, Mining & Oil Field Equipment industries, companies no longer retained units in these areas. Because a number of Household Goods companies are owned by conglomerates, they are being sold to fulfill the conglomerates' restructuring programs. American Home Products, for instance, is redeploying its assets into the health care industry, leaving little room for its Ecko Products unit which produces kitchen gadgets and cookware.

INDUSTRIES WITH MOST DIVESTITURES
1984

Seller Industry Classification	Total Transactions	Divestitures	Divestitures as a % of all Activity
Packaging & Containers	22	16	73%
Broadcasting	83	59	71%
Paper	16	10	63%
Stone, Clay & Glass	27	17	63%
Fabricated Metal Products	42	25	60%
Construction, Mining & Oil Field Equipment	12	7	58%
Household Goods	30	17	57%
Chemicals, Paints & Coatings	79	43	54%
Agricultural Production	19	10	53%
Industrial & Farm Machinery & Equipment	93	47	51%

Source: W. T. Grimm & Co.

Figure 26.

THE 50 LARGEST DIVESTITURES

1984

Buyer [business and/or product line]	Selling Parent Company (unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
1. **Phillips Petroleum Co.** [international integrated oil co.]	**R.J. Reynolds Industries, Inc.** (Energy Operations) [oil/gas exploration & development]	$1,700.0
2. **Private Group** [includes Kohlberg, Kravis & Roberts, Merrill Lynch Capital Markets, and management of units]	**City Investing Co.** (3 units: Rheem Mfg. Co., World Color Press Inc., Uarco Inc.) [air conditioners & water heaters; commercial printer; business forms]	1,251.0
3. **General Electric Co.** [largest mfr. of electrical eqpt.]	**Texaco, Inc.** (Employers Reinsurance Corp.) [property/casualty reinsurance]	1,075.0
4. **Houston Natural Gas Corp.** [integrated gas system]	**Kiewit-Murdock Investment Corp.** (Florida Gas Transmission Co.) [transports natural gas]	800.0
5. **Imperial Chemical Industries PLC - Britain** [chemicals, petrochemicals, synthetic fibers]	**Beatrice Cos.** (chemical operations) [high-performance composite materials]	750.0
6. **Standard Oil Co. of Ohio** [all branches of oil industry; copper & related minerals; chemicals]	**Chevron Corp.** (Gulf Corp.'s service stations in the Southeast and a refinery in Louisiana)	690.0
7. **Private Group** [includes Kohlberg, Kravis and Motel mgmt.]	**City Investing Co.** (Motel 6, Inc.) [chain of hotels]	565.0
8. **U.S. Steel Corp.** [largest steel producer; oil; chemicals]	**Husky Oil Ltd. - Canada** (Husky Oil Co. - U.S.) [oil/gas expl'n. & prod'n.]	505.0
9. **Ralston Purina Co.** [livestock feeds, cereal, tuna]	**ITT Corp.** (Continental Baking Co.) [bread & sweet cakes]	475.0
10. **Schlumberger Ltd.** [oil field services]	**Dow Chemical Co.** (50% of Dowell oil-field services business)	440.0
11. **Tenneco, Inc.** [oil/gas; insurance; manufacturing]	**International Harvester Co.** (farm equipment division)	430.0
12. **CBI Industries, Inc.** [oil/gas drilling; marine construction]	**Houston Natural Gas Corp.** (Liquid Carbonic Corp.) [supplies carbon dioxide to food & beverage industries]	407.0
13. **Houston Natural Gas Corp.** [natural gas]	**Texas Eastern Corp.** (Transwestern Pipeline Co.) [pipeline linking Texas oil/gas fields to California]	390.0
14. **CBS, Inc.** [broadcasting; publishing; toys]	**Ziff-Davis Publishing Co.** (12 consumer magazines)	362.5
15. **Gearhart Industries, Inc.** [oil field services]	**Aetna Life & Casualty Co.** (Geosource, Inc.) [oil field services]	350.0
16. **News Corp. Ltd. - Australia** [newspaper & magazine publishing co. controlled by Rupert Murdoch]	**Ziff-Davis Publishing Co.** (12 business publications)	350.0

Buyer [business and/or product line]	Selling Parent Company (unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
17. **Georgia-Pacific Corp.** [plywood, lumber, paper]	**St. Regis Corp.** (certain forest products assets) [linerboard & paper mill; container division; related timberland]	$ 342.5
18. **Kuwait Petroleum Corp.-Kuwait** [oil/gas producer]	**Occidental Petroleum Corp.** (Occidental Geothermal, Inc.) [geothermal steam prod'n.]	340.0
19. **Cabot Corp.** [carbon black; oil/gas; metal alloys]	**Pioneer Corp.** (Westar Pipeline) [natural gas transmission lines in the Texas Panhandle & West Texas areas]	315.0
20. **Norfolk Southern Corp.** [railroad holding]	**Pepsico, Inc.** (North American Van Lines) [freight carrier & household moving]	315.0
21. **Coca-Cola Bottling Co. Consolidated** [soft drinks; food service]	**Wometco Enterprises, Inc.** (Wometco Bottling) [soft drink bottling]	300.0
22. **K-Mart Corp.** [discount variety stores]	**Carter Hawley Hale Stores, Inc.** (Walden Book Co.) [book store chain]	285.0
23. **Nippon Kokan K.K. - Japan** [Japan's 2nd largest steelmaker]	**National Intergroup, Inc.** (50% of National Steel Corp.) [steel producer]	273.0
24. **Private Group** [unit's management]	**Georgia-Pacific Corp.** (certain commodity-chemical operations)	270.0
25. **Federal Paper Board Co.** [boxboards, pulp, bleached paperboard]	**Kiewit-Murdock Investment Corp.** (bleached paperboard mill & related operations in Augusta, GA)	260.0
26. **Distillers Co. - Britain** [major distiller & blender of Scotch Whiskey, mfrs. gin, brandy, vodka, yeast and bakers supplies]	**Esmark, Inc.** (Somerset Importers Ltd.) [U.S. importer of Distillers' prdts.]	250.0
27. **Dow Chemical Co.** [chemicals & plastics]	**Morton Thiokol, Inc.** (Texize Division) [household cleaning prdts.]	247.6
28. **Freeport-McMoran, Inc. & Transco Energy Co.** [oil/gas]	**Nu-West Group Ltd. - Canada** (Canadian oil & gas assets)	244.0
29. **Private Investor** [Jack Tramiel]	**Warner Communications, Inc.** (Atari, Inc.) [home video games, small computers]	240.0
30. **Joy Manufacturing Co.** [coal mining, oil field & other industrial prdts.]	**ACF Industries, Inc.** (WKM Division) [valves & wellhead parts]	230.0
31. **Allegheny Beverage Corp.** [soft drinks; food service; vending]	**City Investing Co.** (Servomation Corp.) [operate vending machines, food & refreshment services]	225.0
32. **American Broadcasting Cos.** [TV, radio, publish'g., music]	**Texaco, Inc.** (remaining 85% in ESPN) [largest single cable service]	202.0
33. **Telex Corp.** [computer peripheral eqpt.]	**Raytheon Co.** (Raytheon Data Systems) [commercial computer terminals]	200.0

Buyer [business and/or product line]	Selling Parent Company (unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
34. **Private Group** [unit's management & Shearson Lehman/American Express]	**American Cyanamid Co.** (Formica plastic laminate business)	$ 200.0
35. **Private Group** [led by the Fanjul family]	**Gulf & Western Industries, Inc.** (all sugar operations in Florida & Dominican Republic)	200.0
36. **General Electric Co.** [diversified high-tech electrical & electronic prdts.; natural resources; varied service businesses]	**Patrick Petroleum Co.** (all oil, gas & related assets)	197.0
37. **Hospital Corp. of America** [hospital owner/manager]	**Forum Group, Inc.** (its 14 hospitals) [9 psychiatric & 5 acute-care]	194.0
38. **Gillette Co.** [shaving, personal care prdts.]	**Cooper Laboratories, Inc.** (Oral-B Laboratories) [toothbrushes, toothpaste & dental floss]	188.5
39. **Sonat, Inc.** [natural gas PL; oil/gas drilling]	**ITT Corp.** (exploration/production division of Eason Oil)	178.0
40. **Chemical New York Corp.** [multi-bank holding]	**Continental Illinois Corp.** (credit-card business)	176.0
41. **JMB Realty Corp.** [real estate syndicator/developer]	**Aetna Life & Casualty Co.** (Urban Investment & Development Co.) [commercial real estate development]	176.0
42. **Public Service Co. of New Mexico** [electric & water utility]	**Southern Union Co.** (Gas Co. of New Mexico) [gas utility]	175.0
43. **Bell Atlantic Corp.** [telephone service]	**Management Assistance, Inc.** (Sorbus Service Division) [repairs, maintains & reconditions computers]	175.0
44. **Government of Trinidad**	**Texaco, Inc.** (Texaco - Trinidad, Inc.) [refinery, oil wells]	175.0
45. **Onex Capital Corp. - Canada** [investment co.]	**American Can Co.** (Canadian unit) [metal cans & specialty plastics]	171.0
46. **Consolidated Natural Gas Co.** [integrated natural gas system]	**Mapco, Inc.** (U.S. oil/gas assets)	171.0
47. **American Protection Industries** [flower-by-wire service]	**Warner Communications, Inc.** (Franklin Mint) [direct mail marketer of porcelain & jewelry]	167.5
48. **Trilon Financial Corp. - Canada** [insurance, financial services]	**American Express Co.** (Fireman's Fund Insurance Co. of Canada)	163.5
49. **Apache Corp.** [oil/gas]	**Diamond Shamrock Corp.** (all of Continental U.S. oil/gas properties)	160.0
50. **Private Group** [unit's management]	**Dart Drug Corp.** (drugstore division) [operates 73 stores]	160.0

Unit Management Buyouts*

Following a consecutive three-year increase, unit sales to management in 1984 fell 12% to 122 from 139 in 1983. The 122 unit management buyouts, however, are more than double the 49 recorded in 1978, signifying the development of a major trend in merger and acquisition activity during the 1980s. As more corporations restructured their operations and sold off assets, more managers yielded to their entrepreneurial spirits and acquired their divisions. Realizing that the unit will be operated by experienced managers and that the division's customers will continue to be served, parent companies were not hesitant to sell to insiders, with some even willing to provide financing for the buyout.

UNIT MANAGEMENT BUYOUTS

Year	Divestitures	Management Buyouts	Percent of Total Divestitures
1978	820	49	6%
1979	752	59	8%
1980	666	47	7%
1981	830	83	10%
1982	875	115	13%
1983	932	139	15%
1984	900	122	14%

Source: W. T. Grimm & Co.

Figure 27.

The 1984 total dollar value paid for unit management buyouts rose 53% to $3.8 billion from 1983's $2.5 billion. As Figure 28 indicates, larger deals have been taking place. There were nine unit buyouts priced at $100 million or more during 1984, compared with eight in 1983 and five in 1982. There were none in 1978 and 1979. The largest 1984 unit management buyout, also the largest in history and the first billion-dollar unit buyout, was the $1.3 billion purchase of three units from City Investing Co. The three units are Rheem Manufacturing Co., World Color Press Inc., and Uarco Inc. The twenty largest unit management buyouts of 1984 are listed on page 89.

UNIT MANAGEMENT BUYOUTS
TOTAL DOLLAR VALUE PAID
1978—1984

Year	Management Buyouts	Number Disclosing Price	Tabulation of Prices (millions)	Average Price (millions)
1978	49	20	$ 75.2	$ 3.8
1979	59	14	46.7	3.3
1980	47	15	363.3	24.2
1981	83	30	484.1	16.1
1982	115	41	1,361.1	33.2
1983	139	51	2,499.4	49.0
1984	122	42	3,833.4	91.3

Source: W. T. Grimm & Co.

Figure 28.

**The W. T. Grimm & Co. Research Department began monitoring unit management buyouts in 1978. The statistics discussed here represent only those instances where it has been publicly announced that an executive of the parent company or members of the division's management were included among the purchasing group. Therefore, any trend depicted here is surely understated.*

Because most, if not all, unit management buyouts are leveraged, their gain in popularity should be viewed within the context of the overall increase in leveraged buyouts. A discussion of leveraged buyouts appears on page 98.

TWENTY LARGEST UNIT MANAGEMENT BUYOUTS
Completed/Pending
1984

Selling Parent Company	Unit Sold to Management Group [business and/or product line]	Purchase Price *(millions)*
City Investing Co.	**Rheem Mfg. Co., World Color Press Inc., Uarco Inc.** [air conditioners & water heaters; commercial printer; business forms]	$1,251.0
City Investing Co.	**Motel 6 Inc.** [chain of hotels]	565.0
Georgia-Pacific Corp.	**Certain commodity-chemical operations**	270.0
American Cyanamid Co.	**Formica plastic laminate business**	200.0
Dart Drug Corp.	**Drugstore Division** [operates 73 stores]	160.0
Aetna Life & Casualty Co.	**Product sector of Geosource Inc.** [meters, pumps & valves]	140.0
Avon Products Inc.	**Tiffany & Co.** [jewelers, silversmiths]	135.5
Rapid American Corp.	**Otasco** [retail stores selling home, auto & outdoor merchandise]	125.0
Northwest Industries Inc.	**Microdot Inc.** [connecting devices for auto, aerospace & appliance industries]	121.0
Jardine, Matheson & Co. - Hong Kong	**Hawaiian sugar operations of Theo. H. Davies & Co.**	95.5
Litton Industries Inc.	**Furniture, fixtures & office prdts. group**	90.0
Union Carbide Corp.	**Welding & cutting systems business** [mfrs. welding & cutting eqpt.]	70.0
American Stores Co.	**33 Alpha Beta grocery stores and one drugstore** [all are in Arizona]	55.0
Times Mirror Co.	**Art & Graphic Products Group** [artists' materials & supplies]	55.0
Quaker Oats Co.	**Capital City Products Co.** [vegetable oil prdts. & detergents]	50.0
Continental Grain Co.	**Eastern & Midwestern operations of Oroweat Foods** [4 bakeries]	50.0
Storer Communications Inc.	**3 cable-TV systems** [systems located in Prince George County, MD; Leesburg, VA; Fort Bebvoir, VA]	49.0
Union Camp Corp.	**Homecrafters** [[illegible] retail/wholesale building supply centers in 6 Southern states]	31.0
Phelps Dodge Corp.	**Starkville, Mississippi wire & cable plant** [copper building wire]	30.0
Halliburton Co.	**Southwestern Pipe Inc.** [steel pipe & tubing]	30.0

Source: W. T. Grimm & Co.

Figure 29.

Tender Offers*

Tender offer attempts for publicly traded companies in 1984 more than doubled 1983's total, rising from 37 to 79, the highest count since 1979 when 106 attempted tenders were recorded. Due to the stock market's decline during 1984, a higher incidence of undervalued target companies prompted more offers.

Contrary to the popular notion that hostile tenders are out of control, contested tender offers in 1984 numbered 18 or 23% of all tender offers. This compares with 11 contested offers accounting for 30% of all tender offers in 1983. The highest number of hostile tenders occurred in 1982, when they totalled 29 and accounted for 43% of all tender offer activity. It was in 1982 that the infamous Bendix-Martin Marietta-United Technologies-Allied corporate battle took place. Bendix Corp. had made an offer for Martin Marietta Corp. which vehemently opposed the bid and, in defense, commenced a counter-offer for Bendix. Soon after, United Technologies also made an offer for Bendix, which contested both offers and was finally acquired by Allied Corp., the so-called white knight. The widespread business reaction to this four-way clash was extremely unfavorable. The stigma and wasteful costs associated with such spectacles may have tempered any further hostile attempts, since the number of contested tenders dropped during 1983.

Figure 30 provides an eleven-year statistical summary of tender offer activity, consisting of the number of tender offer attempts, cancellations, and completed/pending tenders for both uncontested and contested situations. A contested offer is classified as one where the suitor's initial offer was met with rejection by the target company. A listing of 1984's contested offers appears on pages 94 and 95.

**W. T. Grimm & Co. utilizes the formal definition of tender offer which is an acquisition technique governed by the Securities & Exchange Commission as dictated by the "Williams Act." The acquirer/suitor files its offer with the SEC, which requires the offer to be open for a minimum of 20 days. The offer to purchase a specified number of shares outstanding of the target company is made directly to the shareholders who have a minimum of 20 days to tender their shares. W. T. Grimm & Co. records tender offers seeking 10% or more of a target company's shares outstanding. Self tender offers are not monitored.*

TENDER OFFERS FOR PUBLICLY TRADED TARGET COMPANIES
1974—1984

	Attempts	Cancellations	Completed/Pending	Success Rate
1974 - Uncontested	64 (84%)	13	51	80%
Contested	12 (16%)	4	8	67%
Total	76	17	59	78%
1975 - Uncontested	38 (66%)	9	29	76%
Contested	20 (34%)	6	14	70%
Total	58	15	43	74%
1976 - Uncontested	52 (74%)	9	43	83%
Contested	18 (26%)	14	4	22%
Total	70	23	47	67%
1977 - Uncontested	59 (86%)	5	54	92%
Contested	10 (14%)	8	2	20%
Total	69	13	56	81%
1978 - Uncontested	63 (70%)	4	59	94%
Contested	27 (30%)	14	13	48%
Total	90	18	72	80%
1979 - Uncontested	80 (75%)	10	70	88%
Contested	26 (25%)	18	8	31%
Total	106	28	78	74%
1980 - Uncontested	41 (77%)	5	36	88%
Contested	12 (23%)	9	3	25%
Total	53	14	39	74%
1981 - Uncontested	47 (63%)	1	46	98%
Contested	28 (37%)	15	13	46%
Total	75	16	59	79%
1982 - Uncontested	39 (57%)	5	34	87%
Contested	29 (43%)	12	17	59%
Total	68	17	51	75%
1983 - Uncontested	26 (70%)	1	25	96%
Contested	11 (30%)	4	7	64%
Total	37	5	32	86%
1984 - Uncontested	61 (77%)	8	53	87%
Contested	18 (23%)	8	10	56%
Total	79	16	63	80%

Source: W. T. Grimm & Co.

(Tender offers tracked since 1974.)

Figure 30.

Historical Note

Hostile raids as an established acquisition strategy originated in 1974 when Morgan Stanley & Co. represented International Nickel Co. of Canada in its hostile and successful offer for ESB, Inc. The fact that Morgan Stanley, a reputable investment banking firm, was engaged in such an action rendered the hostile takeover an acceptable practice. The prevalence of takeover battles resulted in a specialized industry consisting of investment bankers, attorneys, proxy solicitors and public relations professionals, all of whom were offering expertise on offensive and defensive tactics.

In 1974 and 1975, hostile suitors were successful in acquiring control of their targets in 67-70% of the cases. The success rate of contested tender offers, however, averaged only 32% in the next six years, reflecting the emergence of an established defense tactic, the search for a white knight. The term white knight refers to those corporate suitors that the target company feels are more compatible with its own business philosophy and corporate objectives, i.e. a friendly acquirer. Searching for white knights became a popular defense technique, especially since the white knight's bid was at least 21% higher than that of the hostile suitor during 1976 through 1981. (See Figure 31.)

The success rate of hostile tender offers in the last three years has averaged 60%, much higher than the 32% average for the 1976-1981 period. The recessionary environment during 1982 produced a shortage of white knights. Many companies were not willing to take on the costs associated with a rescue plan. Besides the cost of the acquisition and the possible expenditures for a bidding war, there are additional costs which can be incurred after the takeover. A white knight has very little time to draw up a proper strategic plan. Once the hostile offer begins, it remains open for a minimum of 20 days. During such a brief period, organizational factors may be overlooked, resulting in unexpected problems when integrating the new business.

UNSUCCESSFUL CONTESTED OFFERS
Fate of Target Company
1976—1984

	Unsuccessful Contested Offers	Target Remained Independent	Target Acquired by White Knight	Average % White Knight Paid Over Initial Contested Offer
1976	14	6	8	25%
1977	8	3	5	31%
1978	14	8	6	21%
1979	18	9	9	24%
1980	9	3	6	33%
1981	15	6	9	33%
1982	12	10	2	11%
1983	4	1	3	18%
1984	8	6	2	9%

Source: W. T. Grimm & Co.

Figure 31.

The higher success rate of contested tender offers can also be attributed to the planning and preparation the hostile suitor now undertakes before executing the bid. Today's hostile bids are more carefully structured, timed, and most important, they are aggressively priced. Hostile suitors are making sure that their initial bids are high enough to ensure success. For instance, in eight of the ten contested offers of 1984, the hostile suitor raised the initial bid per share an average 9% higher. In 1980, the hostile suitor's initial offer was increased by an average of 22%. (See Figure 32.)

CONTESTED & SWEETENED OFFERS
1976-1984

	Number of Successful* Contested Offers	Number Offers Where Hostile Suitor Raised Initial Bid	Average % Raised
1976	4	1	38%
1977	2	1	100%
1978	13	11	10%
1979	8	5	8%
1980	3	2	22%
1981	13	6	17%
1982	17	7	16%
1983	7	4	16%
1984	10	8	9%

*The term successful refers to both fully and partially successful offers, i.e. some shares are tendered and the suitor does not cancel his offer.

Source: W. T. Grimm & Co.

Figure 32.

In addition to hostile tender offers, targeted companies were also confronted with corporate greenmail where an aggressive investor buys a sizable block of a company's stock and then threatens a takeover. To remove the threat the company usually buys out the intruder at a premium, or seeks a friendly merger partner. The most celebrated case in 1984 was the protracted battle between Mesa Petroleum Co. Chairman T. Boone Pickens Jr. and Gulf Corp., which culminated in Chevron Corp.'s $13.2 billion acquisition of Gulf. The Pickens-Gulf battle and its outcome was the biggest spur to corporate managers introducing antitakeover amendments to their company charters and bylaws. The sharp rise in takeover battles during 1981 and 1982, along with the Bendix-Marietta battle had already prompted companies to adopt various defense measures against surprise attacks. But the fact that a major corporation the size of Gulf was forced into being acquired triggered a rash of antitakeover proposals.

According to the Investor Responsibility Research Center Inc., a Washington, D.C.-based organization that monitors corporate governance, the number of companies strengthening their takeover defense measures quadrupled in 1984, and the year's most popular takeover deterrent was the fair price provision. Fair price amendments mandate uniform purchase terms in the case of a takeover. Their purpose is to assure that all shareholders receive the same payment for their stock, thereby preventing a two-tier tender offer. Under the two-tier offer, a corporate bidder offers to buy, usually for cash, a certain number of shares at a premium price. Then, after gaining control, the buyer pays the remaining shareholders a lower price, often in the form of a package of securities.

Other adopted defense measures include supermajority requirements and the classified, or staggered board. Supermajority provisions require a controlling shareholder to obtain an 80-95% favorable vote to clear a merger. Under a staggered board, directors' terms are staggered on a three-year cycle, instead of being reelected annually. This would prevent a hostile bidder, even if it acquires a majority of the shares, from ousting all the board members at once.

A less widely used but controversial defensive tactic is the poison pill which was introduced during the summer of 1983, when Brown-Forman Distillers launched an offer for Lenox Inc. The poison pill calls for the target company to issue securities convertible into the common stock of whatever company owned it, thereby threatening dilution of the suitor's stock. The target company can also create a new class of stock, generally convertible preferred. The stock is usually called "blank check" preferred because key elements,

such as the holder's voting rights, are not spelled out in advance of its issuance. The preferred, if needed, can be placed in friendly hands in the event of a takeover attempt. Carter Hawley Hale used such a strategy to thwart a hostile offer by The Limited. (See page 95.)

Other defensive tactics, also known as shark repellents, include stock watches, and scorched-earth or crown-jewel strategies. Stock watches refer to an increased monitoring of trading in a company's own shares to detect any irregular accumulations. The scorched-earth tactic, the most drastic form of defense, entails the partial or complete liquidation of the target company. Most target managers opt for a milder version through the sale of highly prized units, the crown jewels.

Among the six target companies that remained independent in 1984, three agreed to buy back their shares from the hostile suitors, one sold a new issue of convertible preferred to a friendly party, one was the target of a counter-offer, and one was fortunate enough to have its suitor lose interest. (See page 95.)

CONTESTED TENDER OFFERS

1984

I. Successful Contested Offers

Hostile Suitor	Target Company	Purchase Price (millions of dollars)
Royal Dutch/Shell Group - Netherlands	Shell Oil Co. - rem. 30%	$5,467.9
Gulf & Western Industries Inc.	Prentice-Hall Inc.	705.3
Hanson Trust PLC - Britain	U.S. Industries Inc.	468.9
First City Properties Inc.	Scovill Inc.	425.6
Prime Motor Inns	American Motor Inns Inc.	242.5
United Merchants & Manufacturers Inc.	Jonathan Logan Inc.	170.3
Amalgamated Sugar Co.	Medford Corp.	105.8
Smith International Inc.	Gearhart Industries Inc. - add'l. 23%	85.1*
Minstar Inc.	Aegis Corp.	59.0
Cardiff Equities	Conwed Corp. - rem. 43%	15.5*

*Deals were pending as of 12/31/84. Suitors did not increase offer.

Source: W. T. Grimm & Co.

II. Unsuccessful Contested Offers White Knights to the Rescue

Hostile Suitor	Target Company	Hostile Suitor's Offer (millions of dollars)	White Knight	White Knight's Offer (millions of dollars)
Contrans Inc.	Atlas Van Lines Inc.	$67.9	Wesray Corp.	$71.1
Mark IV Industries Inc.	REDM Industries Inc.	25.6	Pullman Transportation Co.	29.0

III. Unsuccessful Contested Offers Targets Remained Independent

Hostile Suitor	Target Company	Offer's Value (millions of dollars)
Coastal Corp.	**Houston Natural Gas Corp. (45%)**	**$1,275.0**
Houston commenced a counter-offer for Coastal. Both companies ended their takeover offers. Houston agreed to pay Coastal $27.1 million for the Houston shares held by Coastal and $15 million for fees and expenses incurred by Coastal.		
Limited Inc.	**Carter Hawley Hale Stores Inc.**	**1,236.2**
Carter sold a new issue of convertible preferred to General Cinema for $300 million, giving Cinema 23% of Carter's voting rights.		
Houston Natural Gas Corp.	**Coastal Corp.**	**876.2**
See Coastal's offer for Houston.		
Private Group - led by Shamrock Associates	**Dorsey Corp. (33%)**	**43.2**
Dorsey agreed to buy back Shamrock's 28% interest in Dorsey.		
Plateau Resources Inc.	**Intermountain Gas Industries, Inc.**	**39.1**
Plateau terminated offer after other suitors expressed interest in Intermountain.		
Edudata Corp.	**Scientific Computers, Inc.**	**16.3**
Scientific agreed to pay Edudata $6.4 million to end its offer.		

Source: W. T. Grimm & Co.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES*

Completed or pending acquisitions of publicly traded companies in 1984 totalled 211, up 11% from 190 in 1983. Public takeovers with price tags of $100 million or more rose to 95 from 73, while those valued at $1 billion or more increased to 15 from 8 in 1983. Due to the increase in large takeovers, the 1984 dollar value paid for public companies more than doubled the 1983 dollar aggregate, rising to $82.7 billion from $39.5 billion. The two largest transactions in U.S. corporate history, both acquisitions of publicly traded companies, took place in 1984 and contributed $23.3 billion to the 1984 dollar total. They were the $13.2 billion takeover of Gulf Corp. by Chevron Corp. and Texaco Corp.'s $10.1 billion purchase of Getty Oil Co.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES
1974—1984

Year	Total Transactions	Transactions Valued at $100MM or More	Transactions Valued at $1,000MM or More	Total Dollar Value Paid (millions of dollars)	Base*
1974	68	#	—	#	
1975	130	#	1	#	
1976	163	#	—	#	
1977	193	#	—	#	
1978	260	61	1	#	
1979	248	57	2	#	
1980	173	54	3	#	
1981	168	62	10	$56,569.4	156
1982	180	65	6	31,501.8	176
1983	190	73	8	39,471.4	181
1984	211	95	15	82,731.0	204

#Data not collected that year.
*Base: The number of transactions disclosing a purchase price.

Source: W. T. Grimm & Co.

Figure 33.

Historical Note

There was a noticeable increase in the number of acquisitions in the 1974-1978 period, with public takeovers rising from 68 in 1974 to a peak of 260 in 1978. Companies in the 1970s were confronted with rising inflation, higher capital costs, lower valuation of assets by the marketplace, declining growth rates, and increasing doubts about the exact direction of the U.S. economy. As a result, management priorities were to lessen risks, strengthen earnings, and improve cash flow. Acquisition strategies became primary tools for achieving these objectives. With the depressed level of equity prices, purchasing existing undervalued assets rather than building anew at inflated replacement costs clearly made acquisitions the more attractive strategy.

This growth in public takeovers is closely related to three other trends of the 1970s previously identified: the increase in sizable acquisitions, the increase in tender offfers, and tne prevalence of cash as a payment medium. Because publicly traded companies tend to be larger than privately held firms, the growth in public takeovers paralleled the increase in larger-sized transactions, resulting in higher dollar totals. Due to the generally distant relationship between managers and stockholders in public companies, there were more tender offers aimed directly at shareholders. Unlike the owners of privately held companies who are

**Purchase of a controlling interest or more in a publicly traded company.*

burdened with estate taxes, shareholders of public corporations are not as preccoupied with questions of tax liability as private owners. Therefore, payment for acquisitions of public companies was usually in the form of cash. During periods characterized by bear stock markets, cash payments were further utilized.

Despite the historic rise in stock prices during 1983, the stock market continues to value assets of companies at a discount from replacement value. The "q-ratio", a quotient comparing the market value of stocks with the cost of replacing their assets, has been running between 0.5 and 0.6 during the 1980s, indicating that acquisitions of additional capacity continue to be cheaper than building from scratch. For this reason, acquisitions of publicly traded companies averaged close to 200 per year in the last three years. The lower level of public takeover activity in 1980 and 1981 coincided with the dramatic climb and the extreme volatile movement in interest rates. Corporations were concentrating their efforts on adjusting to an economic climate characterized by high real interest rates.

Figure 34 provides the annual price paid distribution of public takeovers since 1978, while payment trends for the last seven years are presented in Figure 35. As indicated earlier, since shareholders of publicly traded companies are not as concerned with tax liabilities as are owners of privately owned companies, payment for their shares is usually in the form of cash.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES
DOLLAR VALUE
1978—1984

	Number (Percent of Transactions Disclosing Price)						
Price Paid Value	1978	1979	1980	1981	1982	1983	1984
$10 million or less	47–(19%)	47–(20%)	23–(14%)	20–(13%)	22–(12%)	16–(9%)	14–(7%)
$10.1–25.0 million	52–(21%)	57–(23%)	40–(23%)	28–(18%)	25–(14%)	22–(12%)	26–(13%)
$25.1–50.0 million	40–(16%)	40–(17%)	30–(17%)	22–(14%)	31–(18%)	40–(22%)	36–(17%)
$50.1–99.9 million	50–(20%)	38–(16%)	23–(14%)	24–(15%)	33–(19%)	30–(17%)	32–(16%)
$100 million or more	61–(24%)	57–(24%)	54–(32%)	62–(40%)	65–(37%)	73–(40%)	96–(47%)
Base*	250	239	170	156	176	181	204

*Base: The number of transactions disclosing a purchase price.

Source: W. T. Grimm & Co.

Figure 34.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES
MEDIUM OF PAYMENT
1978—1984

	1978	1979	1980	1981	1982	1983	1984
Cash	141—(57%)	160—(67%)	94—(55%)	89—(56%)	98—(55%)	94—(51%)	134—(65%)
Stock	56—(23%)	34—(14%)	44—(25%)	38—(24%)	34—(19%)	52—(28%)	34—(16%)
Combination	47—(19%)	45—(19%)	31—(18%)	31—(19%)	44—(25%)	37—(20%)	35—(17%)
Debt	4—(1%)	1—(—)	3—(2%)	2—(1%)	1—(1%)	1—(1%)	4—(2%)
Base*	248	240	172	160	177	184	207

*Base: The number of transactions disclosing method of payment.

Source: W. T. Grimm & Co.

Figure 35.

Going Private/Leveraged Buyouts

The term going private refers to an acquisition of a publicly traded company by a private investment group or an individual, i.e. the buyer is not an operating business. The W. T. Grimm & Co. Research Department began tracking such transactions in 1979. The following statistics show an ever increasing trend. Note that the 1984 increase in acquisitions of publicly traded companies was entirely attributed to the rise in going private transactions.

GOING PRIVATE
1979—1984

Year	Total Public Takeovers	Going Private	Percent of Public Takeovers
1979	248	16	6.4%
1980	173	13	7.5%
1981	168	17	10.1%
1982	180	31	17.2%
1983	190	36	19.0%
1984	211	57	27.0%

Source: W. T. Grimm & Co.

Figure 36.

Reasons for taking a company private vary. A number of companies are attracted to the various advantages in going private which include the elimination of additional expenses associated with publicly traded companies such as shareholder documents, shareholder meetings, shareholder dividends, and complying with numerous SEC filing requirements. Most important, the removal of quarterly earnings reports enables management to operate the business in its best long-term interests instead of opting for short-term strategies which boost the price of the stock.

In view of the increase in hostile takeovers and raider/greenmail tactics, going private transactions are increasingly utilized by target companies as an effective defensive move. After repurchasing its shares from the Bass Brothers, Blue Bell, Inc. management opted to take the company private for $522.3 million to avoid other takeover attempts.

The major motivating force behind going private transactions has been the enormous popularity of the leveraged buyout. Like the majority of unit management buyouts, most, if not all, of the going private transactions are also leveraged buyouts, i.e. transactions where the buyers put up only a small part of the purchase price and borrow the rest. The buying group or equity participants almost always consists of the company's management along with a variety of other investors that can include insurance companies, pension funds, and sometimes even the specialized buyout concerns that arrange the deal. (There are cases where the purchasing group does not include members of management. The buyer could be a minority shareholder or an outside private investor. For instance, Alfred Taubman, a real estate developer, acquired the department store chain of Woodward & Lothrop, Inc. for $222.9 million.)

The availability of investors has been instrumental in stimulating the unit management buyout/going private/leveraged buyout trend. The potential equity participants are, naturally, attracted to the idea of investing in an existing business with a proven track record, rather than incurring more risk with new business start-ups. More important, investors have been lured by high rates of return. Leveraged deals, if successful, can become quite profitable, yielding investment returns of as high as 15 to one. The company going private or the unit being divested must generate enough cash flow to service the debt and at the same time provide operating funds. The company must have a low debt-to-equity ratio and a secure position in its market with stable earnings and low capital expenditures. The low debt allows the buyers to incur large new borrowings to cover the purchase price. Stable earnings insure a solid cash flow while low capital expenditures free up cash flow for debt service. The company can also write up its assets' value to reflect

the purchase price, making it possible to charge more depreciation. This tax advantage shelters the earnings which result in an even higher cash flow. Because the company is highly leveraged, managers also have a greater incentive to increase productivity and cost efficiency in order to maximize cash flow. As the cash flow increases, the debt is quickly paid down and the equity position rises dramatically.

Risks, however, do exist. An economic slump or an increase in interest rates could squeeze cash flow, thereby hindering or even destroying the firm's ability to repay loans.

Of the 57 going private deals in 1984, 26 were valued at $100 million or more. The 1984 total dollar value paid for going private transactions rose 51% to $10.8 billion from $7.1 billion in 1983. The 1984 dollar aggregate is almost 17 times the dollar total tabulated in 1979, signifying a considerable growth and a broad proliferation of participants in the leveraged buyout marketplace.

GOING PRIVATE
AGGREGATE DOLLARS PAID
1979—1984

Year	Total Dollar Value Paid (millions)	Number of $100 Million-Plus Deals	Average Purchase Price (millions)	Median Purchase Price (millions)
1979	$ 636.0	1	$ 39.8	$ 7.9
1980	967.4	3	74.4	25.3
1981	2,338.5	4	137.6	41.1
1982	2,836.7	11	91.5	29.6
1983	7,145.4	14	198.5	77.8
1984	10,805.9	26	415.6	66.9

Source: W. T. Grimm & Co.

Figure 37.

The increase in unit management buyouts/going private deals, particularly the larger ones, is being propelled by a widespread availability of funds, especially the commercial banks' willingness to provide financing for these leveraged deals. Many large banks now have buyout departments to generate loan demand. Since traditional corporate credit demands are weak, banks found it necessary to seek other high-yielding loans. Consequently, banks have been aggressively participating in the more lucrative area of leveraged buyout financing, where there are spreads of up to 5% over prime.

In addition to the commercial banks' participation, firms specializing in leveraged buyouts, such as Kohlberg, Kravis & Roberts, and Forstmann Little, organized a substantial number of funds for the purpose of investing in the equity portion of the deals. Together, the leveraged buyout specialists were able to raise billions of dollars in equity financing, compared with hundreds of millions of dollars just a few years earlier.

The widespread publicizing of successful leveraged buyouts attracted even more lenders and investors. As more money became available, new and inexperienced players and fund packagers appeared, resulting in riskier deals. From 1979 through 1982 the average price earnings ratio paid for going private deals ranged from 10.0 to 11.5. In 1983, however, the average P/E paid had been driven to 18.6. (See Figure 38.)

By early summer, 1984, the financial community became concerned about the deteriorating quality of leveraged deals. Bankers were seeing deals with debt-to-equity ratios as high as 15 to one. Giving respectability to the wave of anxiety were Federal Reserve Board chairman, Paul Volcker, and SEC chairman, John Shad, who in his well known "Leveraging-Up of America" speech stated: "The more

leveraged buyouts and takeovers today, the more bankruptcies tomorrow." As a result, bankers began instituting stricter standards for leveraged transactions. They asked for better coverage and better asset support for the loans, and more equity from the buyout group.

This reassessment by bankers resulted in a number of proposed going private transactions falling apart due to a lack of financing. A total of 34 going private deals with a dollar aggregate of $19.5 billion were cancelled in 1984, compared with seven terminations valued at $2 billion in 1983. For example, after lowering the purchase price to $486.1 million from $519.6 million, the management group of Diversifoods, Inc. was still not able to obtain financing. The company's Godfather's Pizza division had reported losses for the fourth quarter of 1984, completely undermining the buyout attempt, which was only announced early in the fourth quarter. Based on the 1984 cancelled deals, the average P/E paid would have been 17.3, while the remaining 57 completed/pending going private deals of 1984 had an average P/E paid of 14.2.

GOING PRIVATE
VALUATION OF TRANSACTIONS
1979—1984

	Price/Earnings Ratio Paid		Premium Paid Over Market Price	
Year	Average	Median	Average	Median
1979	10.0X	8.1X	106.4%	65.6%
1980	10.9	10.7	49.2	36.2
1981	11.5	9.7	31.3	26.7
1982	11.2	11.0	41.4	38.6
1983	18.6	13.8	36.7	31.3
1984	14.2	12.6	36.3	33.7

Source: W. T. Grimm & Co.

Figure 38.

The increase in the P/E paid and the decline in the premium paid over market reflect the change in the types of companies that are going private. Leveraged buyout candidates were usually quite undervalued, slow-growing companies in basic manufacturing industries where the companies' solid assets, such as heavy equipment, were used to secure the debt. The majority of companies were in industries such as textiles and apparel, machine tools and other industrial goods, building and construction products, in other words, industries that tend to sell for lower P/E multiples.

Within the last year or so, the universe of candidates has expanded to include non-manufacturers and even companies in glamour industries such as broadcasting and motion pictures, resulting in higher P/Es and lower premiums over market. Assets are no longer the primary form of collateral. Lenders put up money based on strong management, solid cash flow and product viability.

Another contributing factor to 1984's high cancellation rate among going private transactions is the appearance of a corporate acquirer with a higher offer. Because leveraged buyouts take at least six months to close, there is ample time for an outside bidder to top the private buying group's purchase price. A management group sponsored by Kohlberg, Kravis made a $2.3 billion offer to take Esmark, Inc. private, only to have Beatrice step in with a $2.5 billion bid. If the leveraged buyout of Esmark succeeded, it would have been the largest going private deal in history.

In order to speed up the buyout, Kohlberg Kravis was the first leveraged buyout firm to use a tender offer as part of the going private transaction. Since a tender offer only takes about 20 days to close, there is far less risk of being outbid. The company can then be recapitalized later in whatever fashion the investor group desires. Kohlberg, Kravis first used the tender offer buyout with Malone & Hyde, Inc., which went private for a total of $548.3 million.

Another new trend in the leveraged buyout market is the sponsoring of deals by corporations rather than buyout firms or investment bankers. W. R. Grace & Co. sponsored the $351.6 million buyout of National Medical Care Inc. Investors including National Medical management, own 51%, while Grace owns 49%. Dylex Ltd., a Canadian retail company, was the lead investor in the buyout of Brooks Fashion Stores, Inc. for $364.6 million. With financially sound corporations sponsoring leveraged buyout transactions, financing will most likely be easier to obtain.

The 1984 tax act signed in July will further stimulate the growing going private trend, specifically the utilization of employee stock ownership plans, or ESOPS. The law allows lenders to exclude from their taxable income 50% of the interest they receive on loans to ESOPS to buy stock in their companies, thus, making ESOP loans more attractive to bankers. In September, 1984, the employees of Parsons Corp., a worldwide construction and engineering firm, agreed to acquire the remaining 71% of Parsons shares for its ESOP for $546.9 million. Parsons was able to obtain a loan from Seattle-First National Bank, whose tax break allowed Parsons to borrow money at 82% of the prime rate.

The twenty largest going private deals since 1979 are listed in Figure 39. They are also most likely the largest in corporate history. The total dollar value paid for the 20 deals aggregated $12.05 billion. The average P/E paid was 18.1 times earnings and the average premium paid over market was 47.4%. Thirteen of the 20 deals were announced in the last two years.

GOING PRIVATE
TWENTY LARGEST DEALS
1979—1984

Year Announced	Company Name [business and/or product line]	Approximate Purchase Price (millions)	Average P/E Paid	Average Premium Paid Over Market
1983	**Metromedia, Inc.** [radio & television broadcaster]	$ 1,467.9	44.5X	140.0%
1984	*__Northwest Industries, Inc.__ [ind'l., consumer & chemical prdts.] Cancelled in February, 1985.	993.1	24.0	3.6
1984	**ARA Services, Inc.** [food & transportation services, child care services, nursing homes]	873.2	14.4	56.4
1983	**Wometco Enterprises, Inc.** [broadcasting, bottling, vending]	810.0	29.6	16.6
1981	**Twentieth Century-Fox Film Corp.** [motion picture producer]	683.4	12.3	11.6
1984	*__Denny's Inc.__ [restaurants]	663.7	14.8	22.9
1984	**Malone & Hyde, Inc.** [food wholesaler]	548.3	14.6	32.1
1984	*__Parsons Corp.__ [construction & engineering] remaining 71%	546.9	15.8	23.7
1984	**Harte-Hanks Communications, Inc.** [newspaper & broadcast chain] remaining 60%	526.3	25.3	102.5
1984	**Blue Bell, Inc.** [sportswear]	522.3	10.8	21.8
1983	**Dr. Pepper Co.** [soft drinks]	512.2	—	37.5
1981	**Reliance Group Inc.** [insurance holding] remaining 60%	483.0	10.0	16.7
1984	*__SFN Cos.__ [textbook publisher]	470.5	17.3	82.8
1979	**Congoleum Corp.** [home furnishings]	446.6	9.8	43.4
1984	*__Tidewater, Inc.__ [offshore oil rig services] remaining 91%	437.4	—	48.3
1983	**Amstar Corp.** [sugar & packaging]	428.6	20.1	47.5
1982	**Signode Corp.** [strapping systems & fastener prdts.]	426.1	13.9	32.5
1981	**Norris Industries, Inc.** [diversified mfr: building/remodeling prdts., auto prdts., defense prdts.]	420.0	16.4	47.2
1981	**Fred Meyer, Inc.** [food retailer & distributor]	398.0	17.9	41.9
1980	**Rapid-American Corp.** [diversified manufacturer & retailer] remaining 76%	393.6	14.9	119.4
	Totals & Averages	$ 12,051.1	18.1X	47.4%

**pending as of 12/31/84*

A P/E was not computed for Tidewater since the firm experienced earnings losses, while a P/E for Dr. Pepper would have been irrelevant since the firm reported trailing twelve months' earnings of $0.39 a share, at the time the deal was announced, and was offered $22 a share.

P/Es were computed on the companies' trailing twelve months' earnings available at the time of the announcement. Premiums over market were based on the companies' closing stock price five days prior to the initial announcement.

Source: W. T. Grimm & Co.

Figure 39.

PERCENT PREMIUM PAID OVER MARKET PRICE*

The 1984 average premium paid over market price, calculated on 199 acquisitions of publicly traded companies, held steady at 37.9%, compared with 37.7% (based on 168 transactions) in 1983. The 1983 average premium paid was the lowest since 1972, when acquirers paid an average 33.8% over the market price of acquired publicly traded companies. The lower premiums in the last two years coincide with a higher trading range for stock prices. The Dow Jones Industrial Average has remained above the 1000 level for two consecutive years. The proliferation of arbitrageurs and other takeover speculators may have also contributed to the decline in premiums. A higher incidence of rumors and leaks have prompted these speculators to invest in potential takeover candidates, thereby driving up the stock prices well before acquisition announcements are made.

PERCENT PREMIUM PAID OVER MARKET PRICE
1968—1984

DJIA High	DJIA Low	Year	Average	Median	Base*
985.21	825.13	1968	25.1	na	271
968.85	769.93	1969	25.7	na	191
842.00	631.16	1970	33.4	na	80
950.82	797.97	1971	33.1	na	74
1036.27	889.15	1972	33.8	na	93
1051.70	788.31	1973	44.5	na	145
891.66	577.60	1974	50.1	43.1	147
881.81	632.04	1975	41.4	30.1	129
1014.79	858.71	1976	40.4	31.1	168
999.75	800.85	1977	40.9	36.2	218
907.74	742.12	1978	46.2	41.5	240
897.61	796.67	1979	49.9	47.6	229
1000.17	759.13	1980	49.9	44.6	169
1024.05	824.01	1981	48.0	41.9	166
1070.55	776.92	1982	47.4	43.5	176
1287.20	1027.04	1983	37.7	34.0	168
1286.64	1086.57	1984	37.9	34.4	199

*Base: The number of transactions where a premium over market was paid. Premiums can only be calculated on acquisitions of publicly traded companies.

Source: W. T. Grimm & Co.

Figure 40.

Historical Note

During the conglomerate merger wave of the '60s, the average premium paid over market ranged between 13% and 25%. The depressed stock market conditions of the 1970s were accompanied by substantial increases in the average premium paid. The highest average premium, 50.1% occurred in 1974 when the stock market reached 577.60, its lowest level in a decade. While looking at Figure 40, note the higher premiums during periods of relatively poor stock performance: 44.5% in 1973 when the stock market began its descent which ended in 1974; 46.2% in 1978 when the Dow Jones Industrial Average tumbled down to 742.12, a three-year low; and 49.9% in 1979 when the DJIA could not even advance above the 900

**Premium paid tabulations are based on the seller's closing market price five business days prior to the initial announcement. Prior to 1979, tabulations were based on two business days.*

level. During periods of relatively weaker stock market conditions, investors tend to regard their depressed stockholdings as only temporarily undervalued. Therefore, higher premiums are offered to induce the investors to sell their holdings.

The annual distribution of premiums paid for the last eleven years are charted in Figure 41. Notice the years in which the average premium paid was 45% or more over market: 50.1% in 1974, 46.2% in 1978, 49.9% in 1979 and 1980, 48.0% in 1981, and 47.4% in 1982. In each of these years, there were more than 30 transactions with premiums of over 80%.

DISTRIBUTION OF PREMIUMS PAID
1974—1984

Percent Premium Paid Over Market	Number of Transactions					
	1974	1975	1976	1977	1978	
0.0 - 20.0	28	36	45	58	47	
20.1 - 40.0	40	38	56	62	69	
40.1 - 60.0	23	21	24	50	56	
60.1 - 80.0	24	17	21	20	34	
80.1 - 99.9	13	6	9	12	10	
Over 99.9	19	11	13	16	24	
Base*	147	129	168	218	240	
	1979	1980	1981	1982	1983	1984
0.0 - 20.0	41	30	35	34	45	52
20.1 - 40.0	54	45	45	46	56	66
40.1 - 60.0	54	34	32	44	42	49
60.1 - 80.0	37	27	22	22	11	19
80.1 - 99.9	24	16	12	15	6	9
Over 99.9	19	17	20	15	8	4
Base*	229	169	166	176	168	199

*Base: Number of transactions where a premium over market was paid.

Source: W. T. Grimm & Co.

Figure 41.

Figure 42 compares the average percent premium paid for a controlling interest with that for a minority interest. W. T. Grimm & Co. uses the term minority interest to signify purchases of 10 to 50% of a company's shares outstanding, while controlling interest refers to acquisitions of 50.1% or more. The difference in premiums between a controlling interest and minority interest reflects the distinction between simply purchasing a minority liquid investment and acquiring the right to dictate the future operations of a company.

Since W. T. Grimm & Co. monitors negotiated transfers of ownership or tender offers, not open market purchases, most of the minority interest acquisitions are cases where the seller needs additional capital and is therefore willing to exchange an equity interest for cash. The seller needs cash to either (1) finance expansion plans and/or new product development, or (2) to strengthen deteriorating balance sheets. In 1984, companies with money-losing operations outnumbered companies with growth plans, resulting in a much lower average premium paid for a minority interest, 16.8% versus 35.9% in 1983.

PERCENT PREMIUM PAID
CONTROLLING VS. MINORITY

	1981	Base*	1982	Base*	1983	Base*	1984	Base*
Average Paid for a Controlling Interest	50.5	145	48.5	165	37.8	160	39.0	191
Average Paid for a Minority Interest	31.1	21	29.6	11	35.9	8	16.8	8

*Base: Number of transactions where a premium over market was paid.

Source: W. T. Grimm & Co.

Figure 42.

A comparison of the premiums paid with respect to the dollar value of the transaction and the method of payment is displayed in Figure 43.

PERCENT MEDIAN PREMIUM PAID
1980—1984

I. COMPARISON BY DOLLAR VALUE

Value of Purchase Price	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*
$25 million or less	48.4	64	38.0	50	43.8	50	25.1	32	30.7	37
$25.1—50.0 million	43.8	31	47.5	28	45.7	31	35.4	39	32.0	36
$50.1—99.9 million	35.1	23	34.6	27	41.1	33	21.1	30	37.2	36
$100 million or more	45.1	51	49.1	61	43.6	62	39.5	67	36.2	90

II. COMPARISON BY METHOD OF PAYMENT

	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*
Cash	45.1	98	38.0	102	36.6	106	34.8	94	31.9	138
Stock	38.0	34	47.1	31	47.9	29	33.4	34	44.4	23
Combination	53.4	34	56.0	30	55.0	40	35.0	36	42.1	32

*Base: Number of transactions where a premium over market was paid and payment method disclosed.

Source: W. T. Grimm & Co.

Figure 43.

Figure 44 compares the median premium paid between lower priced stocks and higher priced stocks. Lower priced stocks tend to get higher premiums because the selling shareholders do not realize as great a profit as do shareholders of higher priced stocks with even lower premiums. For example, a $10 stock price at a 40% premium is only $4, while a $51 stock price at a 20% premium is $10.20. In addition, lower priced stocks, particularly those under $10, tend to be thinly traded and less liquid, resulting in companies that are more closely held. Because ownership is more concentrated, acquirers must offer higher premiums to gain control.

PERCENT MEDIAN PREMIUM PAID
LOW PRICED STOCKS VS. HIGH PRICED STOCKS
1981—1984

Seller's Market Price Five Days Prior to Announcement	Median Premium Paid 1981	Base*	1982	Base*	1983	Base*	1984	Base*
$10.00 & under	51.2	45	64.2	53	41.8	28	40.0	50
$10.125–25.00	43.1	68	38.1	86	32.6	79	35.2	87
$25.125–50.00	38.0	45	30.8	31	35.0	51	30.6	54
Over $50.00	30.1	8	30.1	6	20.0	10	20.0	8

*Base: Number of transactions where a premium over market was paid.

Source: W. T. Grimm & Co.

Figure 44.

A comparison of the premiums paid with respect to the seller's price earnings ratio is provided in Figure 45.

PERCENT MEDIAN PREMIUM PAID
WITH RESPECT TO SELLER'S P/E

Seller's P/E Ratio Five Days Prior to Announcement	Percent Median Premium Paid [Base*] 1982	1983	1984
1.0 – 5.0X	63.4 [15]	80.0 [5]	50.1 [6]
5.1 – 8.0	53.7 [41]	42.1 [17]	37.8 [29]
8.1 – 10.0	34.6 [28]	35.4 [22]	35.6 [28]
10.1 – 12.0	33.4 [18]	25.1 [16]	31.6 [21]
12.1 – 15.0	38.6 [16]	30.1 [18]	33.8 [33]
Over 15.0	30.1 [34]	30.1 [61]	28.1 [50]

In 1982, there were 24 companies which were operating at a deficit when acquired. Based on those 24 cases, the median premium paid over market was 57.5%. In 1983, 29 companies were operating at a deficit and the median premium paid was 53.7%, while the 32 deficit operating companies in 1984 had a median premium paid of 42.6%.

*Base: Number of transactions where a premium over market was paid.

Source: W. T. Grimm & Co.

Figure 45.

An inspection of the 1984 W.T. Grimm & Co. Transaction Roster for the five largest and the five smallest premiums paid disclosed the following results. Xidex Corp. issued approximately $13.78 of its common stock for each share of Dysan Corp.'s common stock outstanding. Dysan's market price five days prior to the transaction's announcement was $4.50 a share, resulting in a 206.2% premium over market. The acquisition of Dysan, a manufacturer of rigid and flexible computer disks, enabled Xidex to solidify its position as a leading supplier of storage media for the computer industry. Since the late 1970s the market for flexible disks has grown about 40% a year.

After Waste Management made an initial offer of $21.00 a share for the common outstanding of SCA Services, Laidlaw Industries and Browning-Ferris Industries both expressed their interest in SCA. Waste Management joined forces with Genstar Corp. and jointly offered $28.50 a share. SCA's market price five days prior to Waste Management's initial offer was $11.25 a share, resulting in a 153.3% premium.

Buyer	Seller	Percent Premium Paid Over Market
Xidex Corp.	Dysan Corp.	206.2
Petrolane, Inc.	Norpac Exploration Services, Inc.	166.3
Waste Management Inc. & Genstar Corp.	SCA Services, Inc.	153.3
Calmar, Inc.	Realex Corp.	104.7
Private Group (management)	Harte-Hanks Communications, Inc.	102.5
Unimar Co.	Enstar Corp. (54%)	1.9
Ampco-Pittsburgh Corp.	Vulcan, Inc. (remaining 81%)	2.0
Warnaco, Inc.	Olga Co.	2.9
Private Group (management)	Northwest Industries, Inc.	3.6
Automated Security Holdings-Britain	Network Security Corp. (25%)	3.8

More details on these acquisitions are provided in the Transaction Roster beginning on page 147.

INDUSTRY CLASSIFICATIONS
PERCENT PREMIUM PAID OVER MARKET

Seller Industry Classifications	1981	1982	1983	1984
Agricultural Production	—	33.0 [2]	19.4 [3]	14.0 [1]
Food Processing	55.1 [4]	46.8 [9]	48.6 [5]	40.1 [6]
Beverages	—	51.6 [7]	33.6 [3]	46.6 [3]
Apparel	49.2 [3]	1.4 [1]	19.1 [2]	29.4 [9]
Textiles	37.9 [1]	34.5 [6]	32.4 [6]	35.7 [1]
Timber & Forest Products	23.3 [2]	23.0 [1]	—	39.9 [2]
Paper	—	83.2 [1]	19.0 [1]	—
Packaging & Containers	99.9 [1]	—	29.1 [2]	45.4 [3]
Furniture	—	17.2 [2]	2.1 [1]	—
Building Products & Materials	55.6 [1]	61.7 [3]	71.3 [2]	17.5 [3]
Household Goods	65.1 [2]	41.2 [3]	30.8 [3]	25.7 [3]
Printing & Publishing	42.9 [1]	—	43.1 [4]	72.0 [4]
Chemicals, Paints & Coatings	30.0 [5]	33.6 [3]	—	23.7 [2]
Drugs, Medical Supplies & Equipment	22.3 [3]	35.5 [6]	25.7 [2]	38.3 [2]
Toiletries & Cosmetics	—	23.5 [1]	—	34.3 [2]
Plastics & Rubber	65.9 [2]	—	7.0 [1]	66.0 [3]
Stone, Clay & Glass	40.3 [1]	82.0 [1]	35.9 [2]	33.6 [1]
Primary Metal Processing	14.5 [3]	—	35.0 [3]	29.2 [4]
Fabricated Metal Products	36.7 [4]	54.5 [3]	—	—
Industrial & Farm Machinery & Equipment	53.2 [10]	49.5 [9]	28.9 [6]	51.0 [7]
Construction, Mining & Oil Field Machinery & Equipment	—	33.3 [1]	41.4 [3]	10.5 [1]
Valves, Pumps & Hydraulics	73.1 [1]	64.7 [1]	—	40.9 [4]
Autos & Trucks	3.0 [1]	—	—	—
Automotive Products & Accessories	—	—	—	—
Electrical Equipment	46.3 [4]	93.0 [1]	39.1 [1]	19.5 [5]
Office Equipment & Computer Hardware	41.0 [4]	39.0 [3]	64.8 [1]	43.5 [5]
Electronics	65.4 [6]	27.0 [4]	25.3 [3]	57.9 [3]
Aerospace, Aircraft & Defense	52.4 [1]	42.1 [2]	38.9 [1]	64.2 [3]
Instruments & Photographic Equipment	36.0 [4]	82.9 [2]	24.0 [3]	33.3 [1]
Toys & Recreational Products	—	42.7 [2]	—	14.3 [1]
Miscellaneous Manufacturing	17.5 [1]	68.7 [1]	28.5 [1]	10.9 [1]
Oil & Gas	40.8 [11]	36.4 [14]	38.3 [23]	32.7 [19]
Mining & Minerals	66.6 [5]	99.9 [1]	—	11.9 [1]
Transportation	54.4 [4]	66.8 [3]	23.5 [1]	40.3 [3]
Communications	14.5 [1]	52.9 [1]	—	5.6 [1]
Broadcasting	37.7 [2]	—	69.4 [2]	32.4 [1]
Electrical, Gas, Water & Sanitary Services	—	68.2 [2]	60.7 [2]	153.3 [1]
Wholesale & Distribution	45.2 [5]	47.0 [2]	32.9 [4]	34.2 [5]
Retail	55.0 [14]	50.3 [12]	43.1 [5]	35.9 [23]
Banking & Finance	53.6 [14]	60.3 [22]	40.6 [31]	53.9 [12]
Insurance	40.4 [12]	53.0 [11]	62.3 [7]	42.8 [5]
Real Estate	63.3 [4]	17.1 [2]	—	—
Brokerage, Investment & Management Consulting Services	72.2 [4]	17.4 [2]	36.9 [3]	22.8 [4]
Computer Software, Supplies & Services	46.5 [3]	75.0 [2]	31.3 [2]	48.9 [7]
Construction Contractors & Engineering Services	57.2 [1]	8.7 [1]	41.1 [2]	29.0 [4]
Energy Services	99.9 [1]	86.5 [1]	99.9 [1]	34.4 [4]
Health Services	47.9 [5]	53.8 [3]	30.3 [7]	36.2 [5]
Leisure & Entertainment	35.7 [7]	37.9 [6]	32.9 [6]	31.1 [6]
Miscellaneous Services	45.6 [4]	32.2 [6]	24.6 [4]	32.2 [6]
Conglomerate	55.4 [4]	46.7 [10]	31.8 [9]	35.0 [12]
Industry-wide Average	48.0 [166]	47.4 [176]	37.7 [168]	37.9 [199]

Source: W. T. Grimm & Co.

ACQUISITIONS OF PRIVATELY OWNED COMPANIES

Acquisitions of privately owned companies increased 3% to 1,351 from 1,316 in 1983. The economy's robust recovery in the last two years has enabled more privately held firms to strengthen their balance sheets, thereby becoming attractive acquisition candidates. The 1984 total dollar value paid for privately held businesses was $8.7 billion (tabulated on 445 transactions disclosing a purchase price), compared with $8.1 billion (based on 500 transactions) in 1983. The three largest acquisitions of privately owned companies in 1984 were (1) the $382 million purchase of Bankers Life & Casualty Co. by I.C.H. Corp., (2) the $360 million acquisition of Lehman Brothers Kuhn Loeb, Inc. by American Express Co., and (3) Trammel Crow Co.'s purchase of Jack A. Benaroya Co. for $300 million.

ACQUISITIONS OF PRIVATELY HELD COMPANIES
1976—1984

Year	Number of Acquisitions	Percent of Total Acquisition Activity	Total Dollar Value Paid (millions of dollars)	Base*
1976	856	38%	#	
1977	971	44%	#	
1978	969	46%	#	
1979	1,049	49%	#	
1980	988	52%	#	
1981	1,330	55%	$8,521.7	581
1982	1,222	52%	5,916.9	420
1983	1,316	52%	8,079.4	500
1984	1,351	53%	8,734.8	445

Data not collected that year.
*Base: Number of transactions disclosing purchase price.

Source: W. T. Grimm & Co.

Figure 46.

As the above figure indicates, the purchase of privately held companies is a significant, if not the most fundamental, component of merger and acquisition activity. The majority of these acquisitions fall into two main situations which are characterizd by the seller's motivation. Lack of an heir to take over the business is probably the most frequent reason for selling. Since the owner is nearing retirement, the sale of his company also provides him needed liquidity for estate tax purposes. The second most common selling scenario involves a company experiencing the pressures of growth. Increasing demand for the company's products or services exerts pressure on the firm to become more sophisticated and efficient in its operations. To fulfill these demands, the owner/entrepreneur sells his business so that he can obtain needed financing for expansion and rely on the professional management assistance a larger firm can provide.

Instead of selling, the owner of a growing privately owned business can obtain capital via the stock market through an initial public offering. The stock market of the '70s, however, was too anemic to raise sufficient funds. Due to this low level of investor interest in new stock offerings, selling and/or merging became the better alternative, resulting in more acquisitions of privately owned businesses in the late '70s.

A dormant new issues market was also a factor in 1984's increase in privately held acquisitions. In addition to the depressed market for initial public offerings, the venture capital industry in 1984, particularly the mezzanine market, experienced a shortage of institutional investors. The mezzanine market consists of securities junior to conventional asset based securities. Mezzanine securities are primarily based on the

earnings and cash flow of the company. Companies in need of mezzanine financing are at a more advanced stage in their development than straight start-up ventures. The mezzanine market's lack of institutional investors forced these capital-hungry companies into becoming acquisition candidates.

The most dramatic increase in private acquisitions was the 35% jump from 988 transactions in 1980 to 1,330 in 1981. Persistent high interest rates and dwindling cash flows had forced many undercapitalized concerns to sell out. Rather than struggle to weather a recession beset with double digit interest rates, many owners chose to sell their businesses.

Contrary to acquisitions of publicly traded companies, most purchases of privately held sellers are small transactions involving exchanges of stock (see Figure 47). Because their concern for tax liability is greater than that of shareholders in a publicly traded company, owners of private companies prefer tax-free exchanges of securities rather than a taxable cash transaction.

ACQUISITIONS OF PRIVATELY OWNED COMPANIES
1979—1984

I. DOLLAR VALUE
Number (Percent of Transactions Disclosing Price)

Value of Purchase Price	1979	1980	1981	1982	1983	1984
$ 5 million or less	257 (51%)	219 (49%)	265 (46%)	197 (47%)	198 (40%)	180 (41%)
$ 5.1 - 10.0 million	115 (23%)	94 (21%)	136 (23%)	85 (20%)	116 (23%)	84 (19%)
$10.1 - 15.0 million	42 (8%)	42 (9%)	62 (11%)	52 (12%)	55 (11%)	50 (11%)
$15.1 - 25.0 million	36 (7%)	30 (7%)	43 (7%)	35 (8%)	56 (11%)	51 (12%)
$25.1 - 50.0 million	30 (6%)	40 (9%)	45 (8%)	29 (7%)	48 (10%)	46 (10%)
$50.1 - 99.9 million	18 (3%)	16 (4%)	18 (3%)	15 (4%)	19 (4%)	15 (3%)
$100 million or more	8 (2%)	4 (1%)	12 (2%)	7 (2%)	8 (1%)	19 (4%)
Number Transactions Disclosing Price	506	445	581	420	500	445

II. METHOD OF PAYMENT
Number (Percent of Transactions Disclosing Payment Form)

	1979	1980	1981	1982	1983	1984
Cash	263 (39%)	198 (32%)	213 (28%)	137 (24%)	129 (20%)	167 (29%)
Stock	278 (41%)	286 (46%)	379 (50%)	256 (44%)	306 (48%)	226 (39%)
Combination	139 (20%)	129 (21%)	159 (21%)	169 (29%)	202 (31%)	180 (31%)
Debt	3 (—)	5 (1%)	8 (1%)	16 (3%)	6 (1%)	4 (1%)
Number Transactions Disclosing Payment Form	683	618	759	578	643	577

Source: W. T. Grimm & Co.

Figure 47.

PRICE/EARNINGS RATIOS PAID

The price paid as a multiple of the acquired company's earnings is only computable when both the total price paid and the earnings of the seller are disclosed. In 1984, such information was available for 246 transactions, only 10% of the total net merger and acquisition count. Due to the high percentage of private sellers and divestitures, few transactions release sufficient data on which to calculate price earnings ratios paid. The subsequent P/E multiples should not, therefore, be construed as representative of all mergers and acquisitions. They simply provide a set of guidelines.

Based on the 246 transactions in 1984, the average P/E ratio paid was 17.2 times earnings, compared with the 16.7 (based on 189 transactions) calculated in 1983. The annual distribution of P/E ratios paid for the last six years are presented in Figure 48. Average and median values are also provided.

DISTRIBUTION OF P/E RATIOS PAID
1979—1984

Price/Earnings Ratio Paid	1979	1980	1981	1982	1983	1984
0.1— 8.5	78	61	40	42	24	35
8.6—10.5	60	42	31	28	21	33
10.6—13.0	60	40	51	41	34	40
13.1—17.0	61	45	40	41	36	52
17.1—25.0	51	17	39	22	44	50
Over 25.0	23	38	29	19	30	36
*Base	333	243	230	193	189	246
Average P/E Paid	14.3	15.2	15.6	13.9	16.7	17.2
Median P/E Paid	11.6	11.3	12.7	12.1	14.5	14.2

*Base: Number of transactions disclosing P/E paid.

Source: W. T. Grimm & Co.

Figure 48.

A noteworthy item is the comparison between multiples paid for publicly traded companies and those paid for privately owned businesses. The 1984 average P/E ratio paid for public companies was 18.2, while the average multiple paid for private firms was 13.1. The comparable averages in 1983 were 18.1 for public and 13.0 for private. Median values for the last six years are listed in Figure 49 and they indicate that higher P/E multiples are paid for public companies than for private concerns. Since publicly traded companies tend to be larger, more sophisticated businesses with solid market shares, they are more likely to command correspondingly higher price multiples.

MEDIAN P/E PAID
PUBLIC VS PRIVATE
1979—1984

	1979	Base*	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*
Acquisitions of Public Companies	11.8	217	11.5	162	14.0	160	12.8	150	15.5	141	15.1	183
Acquisitions of Private Companies	11.3	116	10.3	81	11.5	70	10.1	43	11.5	48	11.4	63

*Base: Number of transactions disclosing P/E paid.

Source: W. T. Grimm & Co.

Figure 49.

Comparisons of median P/E ratios paid with respect to the dollar value of the transaction and the method of payment are presented in the following table.

MEDIAN P/E PAID
1980—1984

I. COMPARISON BY DOLLAR VALUE

Price Paid Value	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*
$25 million or less	10.2	123	11.0	90	10.4	69	13.5	54	11.0	61
$25.1 — 50.0 million	9.5	36	13.7	36	12.0	25	14.7	40	12.2	45
$50.1 — 99.9 million	13.7	27	13.5	32	13.3	33	12.4	34	15.8	39
$100 millon or more	13.7	57	15.4	72	13.1	66	17.4	61	16.4	101

II. COMPARISON BY METHOD OF PAYMENT

	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*
Cash	11.0	121	13.5	112	12.4	109	15.8	95	14.3	145
Stock	12.8	75	14.5	57	12.0	33	17.9	36	17.8	33
Combination	11.3	43	12.6	50	12.2	47	12.5	46	12.6	47

*Base: Number of transactions disclosing P/E paid and payment method.

Source: W. T. Grimm & Co.

Figure 50.

Figure 51 charts the percent premium paid over the average price-earnings multiple on the Standard & Poor's index of 500 stocks since 1968.

PRICE/EARNINGS RATIOS
PREMIUM PAID OVER S&P 500
1968—1984

Year	Standard & Poor's Index of 500 Stocks*	WTG Average P/E Paid#	Percent Premium Over S&P 500
1968	18.1	24.6	35.9%
1969	15.1	21.0	39.1%
1970	16.7	23.1	38.3%
1971	18.3	24.3	32.8%
1972	19.1	21.4	12.0%
1973	12.2	18.9	54.9%
1974	7.3	13.5	84.9%
1975	11.7	13.3	13.7%
1976	11.0	15.1	37.2%
1977	8.8	13.8	56.8%
1978	8.3	14.3	72.2%
1979	7.4	14.3	93.2%
1980	9.1	15.2	67.0%
1981	8.1	15.6	92.6%
1982	10.2	13.9	36.3%
1983	12.4	16.7	34.7%
1984	10.8	17.2	59.3%

*Based upon an average of weekly prices and quarterly earnings.

#Based upon prices paid in all transactions where earnings information was available.

Source: W. T. Grimm & Co.

Figure 51.

The fact that the percent premium paid over the S&P index dramatically increased during the last half of the 1970s suggests that the stock market was greatly undervalued. During the '60s and very early '70s, investors were willing to pay more for stocks since the return on alternative fixed-income investments was low by today's standards. Consequently, the average price-earnings multiple of stocks on the S&P 500 was typically above 15. But when interest rates surged in the late '70s, stocks became less attractive and the multiple on the S&P 500 plunged to 7.4 in 1979. At the same time, the double-digit inflation of the late '70s was steadily increasing the value of corporate assets. Earnings, what most investors look at, were worth less, while the underlying assets were worth more. Hence, corporate acquirers were pricing their acquisitions closer to the asset values of seller companies rather than their earnings, which explains the increase in the premium paid over the S&P 500.

An inspection of the 1984 W.T. Grimm & Co. Transaction Roster for the five highest and five lowest P/E ratios paid disclosed the following.

Buyer	Seller	P/E Ratio Paid
Private Group (Cook's chairman)	Cook International, Inc.	205.0X
Waste Management Inc. and Genstar Corp.	SCA Services Inc.	190.0
Allied Corp.	King Radio Corp.	144.6
Hollywood Park Realty Enterprises, Inc.	Los Alamitos Race Course Corp.	115.5
Private Group	Speed-O-Print Business Machines Corp.	104.0
McLean Industries, Inc.	Purcell Co. Inc.	3.3
Private Group (management)	Bell National Corp.	3.4
Great American Industries, Inc.	Chemold Corp.	3.5
Private Group	National Shoes, Inc.	4.0
First Savings Association of Wisconsin	Draper Corp.	4.1

The five transactions with the highest P/E ratios paid were all cases where the seller reported per share earnings of a few cents at the time the transaction was announced. Cook International, King Radio, and SCA Services were just beginning to report earnings after experiencing losses, while earnings for Los Alamitos and Speed-O-Print were quickly falling. Price-earnings ratios paid of over 99.9 are not included in the computation of the annual average.

Among the five transactions with the lowest P/E ratios paid, three were acquisitions of privately owned companies (Purcell, Chemold and Draper), while two were of publicly traded companies (Bell National and National Shoes). Because Purcell is a real estate developer, McLean's valuation of Purcell was based on assets.

At the time the transaction was announced, National Shoes reported trailing twelve months' per share earnings of $3.25. A group of investors offered $13.00 for each share of National Shoes, resulting in a 4.0 P/E paid. National's trailing twelve months' earnings, however, included additional earnings from discontinued operations. National, a shoe retailer, had sold off the assets of 115 stores. Thus, the P/E paid for the ongoing earnings stream of the business is in effect greater than 4.0.

More details on these acquisitions are provided in the Transaction Roster beginning on page 147.

Individual average price earnings ratios paid for the 50 W. T. Grimm & Co. industry classifications are listed on the next page. Base numbers on which the averages were computed are also provided.

INDUSTRY CLASSIFICATIONS
P/E RATIOS PAID

Seller Industry Classifications	Average P/E Ratio Paid (Base)			
	1981	1982	1983	1984
Agricultural Production	6.0 [3]	10.0 [2]	13.7 [2]	10.1 [1]
Food Processing	13.1 [6]	12.3 [13]	14.3 [5]	13.7 [10]
Beverages	14.5 [2]	10.4 [4]	17.0 [2]	15.5 [2]
Apparel	8.3 [3]	8.2 [3]	7.2 [3]	12.4 [11]
Textiles	3.4 [1]	11.1 [6]	17.9 [5]	8.6 [2]
Timber & Forest Products	13.7 [2]	10.9 [1]	—	25.9 [2]
Paper	—	8.2 [2]	13.8 [1]	—
Packaging & Containers	12.0 [4]	—	15.2 [2]	18.3 [3]
Furniture	7.7 [1]	8.9 [3]	10.6 [2]	—
Building Products & Materials	16.3 [1]	27.3 [1]	14.2 [2]	14.0 [3]
Household Goods	11.1 [3]	11.0 [2]	27.1 [4]	11.1 [5]
Printing & Publishing	—	15.3 [1]	14.2 [7]	17.7 [5]
Chemicals, Paints & Coatings	14.1 [6]	22.7 [3]	—	15.2 [5]
Drugs, Medical Supplies & Equipment	20.1 [4]	20.8 [7]	32.9 [1]	21.8 [4]
Toiletries & Cosmetics	—	15.7 [1]	12.8 [2]	22.9 [3]
Plastics & Rubber	27.5 [2]	—	8.4 [1]	19.4 [3]
Stone, Clay & Glass	14.9 [2]	11.6 [3]	12.8 [2]	16.4 [2]
Primary Metal Processing	10.5 [5]	—	9.5 [3]	14.2 [3]
Fabricated Metal Products	11.4 [7]	14.9 [3]	17.7 [1]	—
Industrial & Farm Machinery & Equipment	11.6 [10]	12.4 [10]	13.3 [5]	16.3 [5]
Construction, Mining & Oil Field Machinery & Equipment	4.6 [2]	23.0 [1]	28.0 [2]	57.5 [1]
Valves, Pumps & Hydraulics	7.3 [2]	9.2 [1]	16.6 [2]	20.7 [3]
Autos & Trucks	—	—	—	—
Automotive Products & Accessories	15.9 [1]	11.9 [1]	—	6.9 [1]
Electrical Equipment	21.9 [6]	13.2 [2]	18.1 [1]	24.0 [5]
Office Equipment & Computer Hardware	35.7 [3]	12.7 [3]	24.4 [3]	17.7 [4]
Electronics	16.4 [10]	17.8 [5]	16.1 [5]	12.8 [1]
Aerospace, Aircraft & Defense	11.8 [1]	11.4 [2]	20.9 [2]	17.0 [3]
Instruments & Photographic Equipment	20.2 [5]	8.8 [3]	30.5 [2]	19.2 [4]
Toys & Recreational Products	—	8.2 [1]	1.1 [1]	46.7 [2]
Miscellaneous Manufacturing	9.1 [2]	—	18.7 [2]	15.2 [2]
Oil & Gas	15.9 [15]	19.4 [12]	17.8 [18]	20.5 [19]
Mining & Minerals	18.2 [6]	1.7 [1]	9.7 [1]	10.9 [2]
Transportation	17.1 [3]	8.2 [5]	14.1 [2]	11.2 [4]
Communications	11.5 [2]	31.3 [1]	—	30.3 [1]
Broadcasting	58.9 [2]	—	36.3 [2]	40.0 [1]
Electrical, Gas, Water & Sanitary Services	20.0 [1]	13.0 [3]	14.2 [3]	11.4 [1]
Wholesale & Distribution	10.5 [10]	8.8 [4]	11.7 [5]	17.8 [8]
Retail	14.4 [11]	16.9 [11]	13.5 [7]	16.4 [23]
Banking & Finance	12.5 [24]	13.1 [22]	13.2 [33]	13.3 [24]
Insurance	14.0 [15]	13.4 [12]	15.0 [8]	15.7 [6]
Real Estate	19.2 [3]	18.7 [2]	8.5 [4]	8.7 [5]
Brokerage, Investment & Management Consulting Services	11.4 [5]	9.1 [3]	19.5 [4]	11.2 [5]
Computer Software, Supplies & Services	24.2 [5]	—	26.6 [5]	25.6 [8]
Construction Contractors & Engineering Services	56.2 [1]	11.0 [3]	14.2 [1]	9.0 [5]
Energy Services	12.6 [9]	7.6 [2]	8.1 [1]	38.0 [2]
Health Services	24.5 [8]	31.6 [3]	21.2 [8]	20.4 [9]
Leisure & Entertainment	19.7 [6]	17.5 [5]	30.1 [5]	18.4 [8]
Miscellaneous Services	12.7 [6]	11.9 [10]	17.0 [5]	15.0 [7]
Conglomerate	20.7 [4]	13.3 [10]	20.5 [7]	18.0 [13]
Industry-wide Average	15.6 [230]	13.9 [193]	16.7 [189]	17.2 [246]

Source: W.T. Grimm & Co.

Regrouping the 50 W. T. Grimm & Co. classifications into 12 industry sectors allows a better interpretation of P/Es and premiums.

INDUSTRY SECTORS
P/E RATIOS PAID
&
PERCENT PREMIUMS PAID OVER MARKET

Industry Sector	Average P/E Paid [Base]			
	1981	1982	1983	1984
Agricultural Production	6.0X[3]	10.0X[2]	13.7X[2]	10.1X[1]
Manufacturing	14.2 [89]	14.1 [81]	16.6 [68]	19.0 [92]
Natural Resources	15.9 [23]	10.7 [14]	13.8 [19]	19.1 [23]
Transportation	17.1 [3]	8.2 [5]	14.1 [2]	11.2 [4]
Communications & Broadcasting	35.2 [4]	31.3 [1]	36.3 [2]	35.2 [2]
Utilities	20.1 [1]	13.0 [3]	14.2 [3]	11.4 [1]
Wholesale & Distribution	10.5 [10]	8.8 [4]	11.7 [5]	17.8 [8]
Retail	14.4 [11]	16.9 [11]	13.5 [7]	16.4 [23]
Financial Services	12.6 [44]	11.9 [37]	15.9 [45]	13.4 [35]
Other Services	26.7 [35]	15.9 [23]	19.5 [25]	21.1 [39]
Real Estate	19.2 [3]	18.7 [2]	8.5 [4]	8.7 [5]
Conglomerate	20.7 [4]	13.3 [10]	20.5 [7]	18.0 [13]
Industry-wide Averages	15.6X[230]	13.9X[193]	16.7X[189]	17.2X[246]

Industry Sector	Average Premium Paid [Base]			
	1981	1982	1983	1984
Agricultural Production	—	33.0%[2]	19.4%[3]	14.0%[1]
Manufacturing	45.6%[63]	48.2 [72]	32.9 [56]	36.8 [77]
Natural Resources	43.6 [18]	53.1 [16]	38.3 [23]	28.2 [22]
Transportation	54.5 [4]	66.8 [3]	23.5 [1]	40.3 [3]
Communications & Broadcasting	26.1 [3]	52.9 [1]	69.4 [2]	19.0 [2]
Utilities	—	68.2 [2]	60.7 [2]	153.3 [1]
Wholesale & Distribution	45.2 [5]	47.0 [2]	32.9 [4]	34.2 [5]
Retail	55.0 [14]	50.3 [12]	43.1 [5]	35.9 [23]
Financial Services	55.4 [30]	43.6 [35]	46.6 [41]	39.8 [21]
Other Services	55.5 [21]	49.0 [19]	43.4 [22]	35.3 [32]
Real Estate	63.3 [4]	17.1 [2]	—	—
Conglomerate	55.4 [4]	46.7 [10]	31.8 [9]	35.0 [12]
Industry-wide Averages	48.0%[166]	47.4%[176]	37.7%[168]	37.9%[199]

CONTINGENT PAYOUTS

Acquisitions utilizing contingent payouts during 1984 numbered 39, compared with 37 in 1983. Contingent payouts are supplementary payments based on the future earnings of the acquired concern. They are used to overcome the buyer's difficulty in determining the present value or future growth rate of a selling company. Thus, the contingent provision serves as (1) a protection for the buyer against overvaluation of the seller, and (2) an incentive for the owner to remain and continue running the business. The majority of acquired companies in such transactions are small privately held companies and/or service oriented establishments. Among the 39 transactions containing contingent provisions in 1984, 23 or 59% involved service oriented seller companies, with six companies in the Computer Software, Supplies & Services industry classification.

CONTINGENT PAYOUTS
1974—1984

1974—33	1980—33
1975—20	1981—52
1976—32	1982—51
1977—22	1983—37
1978—25	1984—39
1979— 9	

Source: W. T. Grimm & Co.

Figure 52.

ANNUAL SALES OF ACQUIRED COMPANIES

A total of 1,643 transactions involved the sale of an entire company. Among these acquisitions, 735 sellers disclosed their annual sales. Annual distributions of seller companies (non-divestitures) by their annual sales for the last six years are provided in the subsequent figure.

DISTRIBUTION OF SELLERS BY SALES
1979—1984

	Percentage of Sellers Disclosing Sales					
Annual Sales Volume	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**
$10 million or less	44%	41%	41%	39%	40%	35%
$10.1—50.0 million	29%	34%	36%	35%	35%	33%
$50.1—100.0 million	11%	10%	6%	9%	10%	12%
Over $100 million	16%	15%	17%	17%	15%	20%
Number of Seller Companies Disclosing Annual Sales	644	504	651	559	642	735

Source: W. T. Grimm & Co.

Figure 53.

GEOGRAPHIC BREAKDOWN

Among the 1,643 transactions involving the sale of an entire company, a location was obtained for 1,406 sellers and 1,499 buyers. The geographic breakdown for sellers appears on page 119, while the buyers are on page 120.

Among the 50 states and the District of Columbia, 26 had a decline in the number of sellers, while 20 had more sellers than the year before. Four states remained unchanged: Louisiana, Arizona, Montana, and Idaho. Alaska had no sellers in 1983 and one in 1984.

Twenty-six states had fewer buyers in 1984 than in 1983, while 16 had an increase in the number of buyers. Three states had no buyers in 1983, but had some in 1984: Idaho, Vermont and West Virginia. There were no buyers from Montana during 1983 and 1984.

A regional breakdown for both buyers and sellers appears on page 121. In 1984, the Southwest had the highest concentration of sellers, outnumbering both the Midwest and Middle Atlantic regions which have typically ranked ahead of the Southwest region. Acquirers have been drawn by the electronics, computer and other high-tech industries located in the Southwest.

NUMBER OF SELLERS RANKED BY STATES

	Number of Sellers (Rank)				
	1981	1982	1983	1984	Four Year Total
California	148(2)	130(1)	208(1)	263(1)	749
New York	91(3)	101(3)	112(3)	120(2)	424
Texas	157(1)	128(2)	132(2)	117(3)	534
Illinois	55(6)	65(5)	70(4)	75(4)	265
Pennsylvania	27(13)	61(6)	45(9)	66(5)	199
Florida	72(4)	74(4)	55(6)	64(6)	275
Massachusetts	40(7)	33(9)	46(7)	61(7)	180
New Jersey	40(7)	56(7)	67(5)	61(7)	224
Colorado	22(17)	43(8)	39(11)	41(9)	145
Ohio	62(5)	31(11)	46(7)	41(9)	180
Georgia	30(9)	31(11)	34(13)	39(11)	142
Michigan	36(10)	33(9)	33(14)	35(12)	137
Connecticut	26(14)	22(16)	37(12)	27(13)	112
Virginia	26(14)	31(11)	29(16)	27(13)	113
Tennessee	16(21)	17(23)	28(18)	25(15)	86
Washington	13(26)	15(24)	29(23)	25(15)	82
Minnesota	17(15)	24(14)	20(22)	22(17)	83
Wisconsin	22(17)	20(18)	27(19)	22(17)	91
Missouri	34(11)	22(16)	41(10)	21(19)	118
Oklahoma	32(12)	23(15)	26(20)	21(19)	102
Indiana	15(23)	19(19)	21(21)	19(21)	74
Kentucky	15(23)	15(24)	15(27)	19(21)	64
Louisiana	24(16)	13(27)	19(23)	19(21)	75
North Carolina	17(19)	14(26)	31(15)	19(21)	81
Maryland	16(21)	18(20)	29(16)	15(25)	78
Arizona	10(30)	11(28)	13(30)	13(26)	47
Kansas	12(28)	10(30)	8(33)	13(26)	43
New Hampshire	9(32)	9(32)	4(38)	11(28)	33
Alabama	13(26)	18(20)	18(25)	10(29)	59
Arkansas	4(41)	2(45)	15(27)	9(30)	30
Utah	7(34)	8(34)	12(32)	9(30)	36
Maine	5(38)	5(38)	4(38)	8(32)	22
Mississippi	9(32)	11(28)	2(43)	8(32)	30
Oregon	11(29)	7(35)	15(27)	8(32)	41
Rhode Island	6(37)	3(42)	5(36)	8(32)	22
South Carolina	7(34)	10(30)	13(30)	7(36)	37
District of Columbia	5(38)	4(40)	3(40)	6(37)	18
Nebraska	7(34)	3(42)	7(34)	4(38)	21
Nevada	4(41)	7(35)	5(36)	4(38)	20
New Mexico	3(44)	9(32)	6(35)	4(38)	22
West Virginia	10(30)	1(49)	2(43)	4(38)	17
Iowa	14(25)	16(20)	16(26)	3(42)	51
Delaware	3(44)	—(50)	3(40)	2(43)	8
Montana	3(44)	4(40)	2(43)	2(43)	11
North Dakota	2(47)	—(51)	1(49)	2(43)	5
Wyoming	5(38)	7(35)	1(50)	2(43)	15
Alaska	4(41)	1(46)	—(51)	1(47)	6
Hawaii	1(50)	3(42)	3(40)	1(48)	8
Idaho	2(47)	1(47)	1(48)	1(49)	5
South Dakota	—(51)	5(38)	2(43)	1(50)	8
Vermont	2(47)	1(48)	2(43)	1(51)	6
Number Disclosing Location	1,219	1,197	1,412	1,406	5,234

Source: W. T. Grimm & Co.

Figure 54.

NUMBER OF BUYERS RANKED BY STATES

	Number of Buyer (Rank)				
	1981	1982	1983	1984	Four Year Total
New York	176(1)	168(1)	213(1)	223(1)	780
California	127(3)	120(2)	158(2)	199(2)	604
Texas	146(2)	109(4)	134(3)	110(3)	499
Pennsylvania	29(11)	59(6)	68(7)	97(4)	253
Illinois	79(4)	110(3)	108(4)	87(5)	384
Ohio	61(5)	50(8)	45(10)	74(6)	230
New Jersey	29(11)	59(5)	80(5)	58(7)	226
Georgia	22(15)	47(9)	62(8)	56(8)	187
Connecticut	48(7)	39(11)	73(6)	54(9)	214
Florida	52(6)	44(10)	60(9)	52(10)	208
Massachusetts	36(9)	29(14)	45(10)	43(11)	153
Colorado	16(17)	28(15)	30(14)	42(12)	116
Michigan	38(8)	32(13)	28(16)	36(13)	134
Minnesota	32(10)	52(7)	33(13)	35(14)	152
Maryland	10(21)	16(20)	23(19)	27(15)	76
Virginia	28(13)	33(12)	29(15)	27(15)	117
Wisconsin	18(16)	19(17)	21(20)	27(15)	85
Missouri	26(14)	27(16)	45(10)	26(18)	124
Tennessee	9(23)	12(23)	23(16)	23(19)	72
North Carolina	12(19)	13(22)	20(21)	19(20)	64
Oklahoma	15(18)	17(19)	26(18)	17(21)	75
Kentucky	11(20)	5(32)	5(34)	16(22)	37
Nebraska	3(32)	4(33)	4(39)	14(23)	25
Rhode Island	2(38)	3(41)	12(26)	12(24)	29
Indiana	9(23)	18(18)	19(22)	11(25)	57
Kansas	1(41)	9(27)	13(24)	11(25)	34
Washington	10(21)	11(25)	14(23)	11(25)	46
Louisiana	8(27)	4(33)	6(31)	10(28)	28
Utah	1(44)	4(33)	10(28)	10(28)	25
Alabama	8(27)	12(23)	13(24)	9(30)	42
New Hampshire	3(32)	4(33)	3(42)	9(30)	19
Arizona	4(30)	8(28)	9(29)	7(32)	28
Iowa	9(23)	15(21)	7(30)	6(33)	37
Oregon	9(23)	4(33)	4(39)	5(34)	22
District of Columbia	6(29)	6(30)	5(34)	4(35)	21
Idaho	3(32)	—(50)	—(48)	4(35)	7
Mississippi	4(30)	11(25)	6(31)	4(35)	25
Hawaii	2(38)	4(33)	2(44)	3(38)	11
Maine	2(38)	2(45)	5(34)	3(38)	12
Nevada	1(43)	4(33)	3(42)	3(38)	11
South Carolina	3(32)	8(28)	5(34)	3(38)	19
Arkansas	3(32)	3(41)	11(27)	2(42)	19
New Mexico	1(42)	6(30)	6(31)	2(42)	15
Wyoming	—(51)	4(33)	4(39)	2(42)	10
Alaska	—(47)	1(47)	2(44)	1(45)	4
Delaware	3(32)	2(45)	5(34)	1(46)	11
North Dakota	—(49)	—(51)	1(46)	1(47)	2
South Dakota	—(50)	3(41)	1(47)	1(48)	5
Vermont	1(45)	1(48)	—(50)	1(49)	3
West Virginia	1(46)	1(49)	—(51)	1(50)	3
Montana	—(48)	3(41)	—(49)	—(51)	3
Number Disclosing Location	1,117	1,243	1,504	1,499	5,363

Source: W. T. Grimm & Co.

Figure 55

REGIONAL RANKING

Region	Number of Sellers (Rank)			
	1981	1982	1983	1984
Southwest	194 (4)	208 (3)	283 (3)	334 (1)
Middle Atlantic	233 (2)	287 (1)	305 (1)	320 (2)
Midwest	276 (1)	250 (2)	292 (2)	258 (3)
Southeast	172 (5)	175 (4)	191 (5)	172 (4)
South Central	217 (3)	166 (5)	192 (4)	166 (5)
New England	88 (6)	73 (6)	98 (6)	116 (6)
Northwest	34 (7)	34 (7)	48 (7)	38 (7)
Alaska & Hawaii	5 (8)	4 (8)	3 (8)	2 (8)

Region	Number of Buyers (Rank)			
	1981	1982	1983	1984
Middle Atlantic	293 (1)	349 (1)	428 (1)	454 (1)
Midwest	276 (2)	339 (2)	325 (2)	329 (2)
Southwest	150 (4)	170 (3)	216 (3)	263 (3)
Southeast	110 (5)	147 (4)	194 (4)	166 (4)
South Central	172 (3)	133 (5)	177 (5)	139 (5)
New England	92 (6)	78 (6)	138 (6)	122 (6)
Northwest	22 (7)	22 (7)	22 (7)	22 (7)
Alaska & Hawaii	2 (8)	5 (8)	4 (8)	4 (8)

Middle Atlantic: New York, Pennsylvania, New Jersey, Delaware, Maryland, West Virginia, Virginia, Washington, D. C., Kentucky.

Midwest: North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Michigan, Indiana, Ohio.

Southwest: California, Nevada, Utah, Colorado, Arizona, New Mexico.

South Central: Texas, Oklahoma, Arkansas, Louisiana.

Southeast: Florida, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Tennessee.

New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut.

Northwest: Washington, Oregon, Idaho, Montana, Wyoming.

Source: W. T. Grimm & Co.

Figure 56.

CANCELLATIONS

There were 218 terminated transactions for 1984 which represented 8% of gross merger and acquisition announcements. This compares with 162 or 6% in 1983. As indicated earlier, a higher cancellation rate among going private transactions contributed to 1984's increase in overall terminations. As bankers began instituting stricter standards for leveraged transactions, more going private transactions were cancelled due to a lack of financing. A total of 34 going private deals were terminated in 1984, compared with seven cancellations in 1983. Figure 57 charts the number of gross merger and acquisition announcements, cancelled transactions, net merger and acquisition announcements, and cancellations as a percentage of gross merger activity since 1969.

As the figure shows, cancellations have ranged from 6% to 10% of the gross total number of transactions. The 10% cancellation rates in 1974 and 1975 were attributable to declining stock prices and the resulting difficulty in reaching mutually agreeable exchange ratios. The same held true for 1969 and 1970, when terminations comprised 9% of all deals. The 9% rates in 1979 and 1980 were largely due to the historic and dramatic climb in interest rates. The prime rate rose from 13¼% in October, 1979 to 20% in April, 1980, only to be followed by a rapid decline to 11% in the summer months and a wild comeback to 20% which was surpassed by 21½% in December, 1980. Not only did high interest rates lessen the availability of adequate financing, but the extremely volatile movement of the prime lending rate coupled with double-digit inflation created further obstacles to closing deals. Due to such breakneck economic swings, terms of acquisition agreements became obsolete, resulting in cancellations.

Among those cancellations identifying cause of termination, inability to agree on terms is the most frequently cited reason every year, followed by the intrusion of competing bidders and economic conditions.

CANCELLATIONS
1969—1984

Year	Gross M & A Announcements	Cancellations	Net M & A Announcements	Cancellations as a % of Gross Announcements
1969	6,727	620	6,107	9%
1970	5,679	527	5,152	9%
1971	4,940	332	4,608	7%
1972	5,116	315	4,801	6%
1973	4,364	324	4,040	7%
1974	3,169	308	2,861	10%
1975	2,564	267	2,297	10%
1976	2,453	177	2,276	7%*
1977	2,374	150	2,224	6%
1978	2,277	171	2,106	8%
1979	2,347	219	2,128	9%
1980	2,067	178	1,889	9%
1981	2,558	163	2,395	6%
1982	2,535	189	2,346	7%
1983	2,695	162	2,533	6%
1984	2,761	218	2,543	8%

Source: W. T. Grimm & Co.

Figure 57.

The twenty largest cancellations are catalogued in Figure 58. Where available, the reason for each termination is also provided.

TWENTY LARGEST CANCELLATIONS

Buyer Seller	Approximate Value (millions)	Reason for Cancellation
Pennzoil Co. and Sarah C. Getty Trust Getty Oil Co. (remaining 59.8%)	$5,323.6	Pennzoil and Gordon P. Getty's Sarah Getty Trust offered $112.50 a share for the remaining 59.8% of Getty Oil's shares outstanding. Getty Oil acquired by Texaco for $128.00 a share, totalling $10,128.9 million.
Private Group (Esmark mgmt. & Kohlberg, Kravis) Esmark, Inc.	2,299.6	Esmark accepted Beatrice Foods Co.'s higher offer of $2,508.6 million.
Diamond Land Corp. (controlled by Sir James Goldsmith) Continental Group, Inc	2,121.4	Having rejected Goldsmith's offer, Continental accepted a bid of $2,482.0 million by Kiewit-Murdock Investment Corp.
Private Group (City mgmt. & Merrill Lynch) City Investing Co.	1,826.4	City chose to liquidate and sell off units separately. A group consisting of Merrill Lynch, Kohlberg Kravis, and managers of City's units agreed to purchase three subsidiaries from City for a total of $1,251.0 million.
Private Group (led by Victor Posner) City Investing Co. (remaining 92%)	1,754.7	See above.
Pennzoil Co. Getty Oil Co. (20%)	1,600.0	Pennzoil withdrew its $100.00 a share offer for 20% of Getty Oil and, instead, joined forces with Gordon P. Getty. See above.
Chicago Pacific Corp. Textron, Inc.	1,452.8	Textron directors rejected offer. Chicago Pacific indicated it would not pursue unless a friendly deal could be reached. Soon after, Textron agreed to acquire Avco Corp. for $1,169.6 million.
Coastal Corp. Houston Natural Gas Corp. (45%)	1,275.0	Houston rejected offer and began a counter-offer for Coastal. Both companies ended their offers after Houston agreed to pay Coastal $27.1 million for Houston shares held by Coastal.
Limited Inc. Carter Hawley Hale Stores, Inc.	1,236.2	Limited withdrew its hostile offer after Carter sold a new issue of convertible preferred stock to General Cinema, giving Cinema 23% of Carter's voting rights.
Tamco Enterprises, Inc. City Investing Co. (Motel 6 and Home Group, Inc.)	1,230.0	City Investing agreed to sell its Motel 6 unit to a group led by Kohlberg, Kravis for $565 million.
Leucadia National Corp. Avco Corp.	1,042.1	Avco rejected offer which was withdrawn by Leucadia after Avco agreed to acquire Leucadia's 10.7% stake in Avco for $100 million.
Private-Rupert Murdoch St. Regis Corp. (50.1%)	900.5	Murdoch withdrew his $55.00 a share bid for 50.1% of St. Regis after Champion International Corp. agreed to acquire St. Regis for $55.50 a share, totalling $1,813.7 million. St. Regis had rejected Murdoch's offer.
Mesa Petroleum Co. Phillips Petroleum Co. (10%)	900.0	Mesa and its chairman, T. Boone Pickens, ended hostile offer for an additional 10% of Phillips after Phillips management agreed to a major financial restructuring of Phillips Petroleum. The restructuring plan included the repurchase of Phillips shares from Mesa.
Houston Natural Gas Corp. Coastal Corp.	876.2	See above.
Private-Kirk Kerkorian MGM/UA Entertainment Co. (rem. 49.9%)	620.7	Kerkorian withdrew his offer; no reason given.
Private Group (led by William M. Siegel) ARA Services, Inc.	730.2	ARA strongly rejected offer. ARA management, a few months later, agreed to take company private for $873.2 million.
U.S. Steel Corp. National Intergroup, Inc. (National Steel Corp.)	575.0	Facing government opposition on antitrust grounds, U. S. Steel abandoned its offer for National Steel.
St. Regis Corp. Colonial Penn Group, Inc.	564.4	After Champion International agreed to acquire St. Regis, Champion terminated St. Regis' plan to acquire Colonial Penn.
DPCC Acquisition Corp. (owned by Castle & Cooke Inc. and other investors) Dr. Pepper Co.	558.7	Dr. Pepper rejected offer and refused to provide information sufficient enough to allow DPCC's lenders to verify offer. Dr. Pepper was taken private by its management for $512.2 million.
Nestle S. A.-Switzerland CooperVision, Inc.	501.9	Nestle dropped its offer because of last minute antitrust objections raised by the FTC.

Source: W. T. Grimm & Co.

Figure 58.

COMMENTARY/OUTLOOK

Merger and acquisition strategies are management tools for executing corporate objectives, and are, therefore, subject to change when managers implement new business plans or restructure their operations. Such strategic decisions are, in turn, influenced by a changing economic climate. The 1980s ushered in an economic environment characterized by disinflation, high real interest rates, increased global competition, and rapid technological advances which simultaneously create new markets and weaken others. Corporate managers responded by initiating more realistic, cost-effective, competitive and pragmatic business strategies.

Management Challenges for the 1980s

Accepting the reality that their businesses will operate in more competitive markets, corporate officers have identified two major management challenges for the '80s, (1) developing aggressive marketing strategies, and (2) controlling costs. Economic success is viewed as being able to capture, hold and increase share in existing or closely related markets. Managers are, therefore, focusing on existing corporate strengths, capabilities, and products, and applying them to new situations. The intended goal is to modify existing products to meet the different needs of the market. Expansion and growth depend on increasing customer demand for a particular corporation's product line, and not on increasing productive capacity or adding unrelated business lines. Current merger and acquisition strategies reflect this change in management priorities. Extensive diversification strategies have given way to policies focusing on narrower, related fields—a "back to basics" philosophy.

Acquisition Strategies Respond to Economic Changes

The prolonged period of rising inflation in the 1970s caused companies to use acquisitions in order to expand more quickly and cheaply than they could by starting from scratch. Purchasing assets at bargain prices with cheap dollars was the cornerstone of corporate acquisition strategies. Business policies of the '70s entailed a theme of portfolio-style management stressing financial considerations—acquiring the latest winners, discarding the losers, and purchasing inflation hedges such as natural resource companies. The low- inflation environment of the 1980s, however, replaced cheap expansion strategies with those of asset liquidation and redeployment programs. Stressing more efficient and leaner operations to withstand the pressures of changing economic and market conditions, corporate managers implemented aggressive divestiture programs. Moreover, while selling off unrelated or unprofitable assets, managers also acquired businesses that extended or complemented their core product lines.

Factors Stimulating M & A Activity

In addition to a transformation of management philosophy, three other major factors have been instrumental in enhancing merger and acquisition activity during the last two years: (1) the 1981 Economic Recovery Tax Act, (2) bank deregulation, and (3) government antitrust and deregulatory policies. By allowing companies to take quick depreciation, the 1981 tax law increased corporate cash flows, thereby enabling companies to finance their acquisitions. For those companies that lacked adequate funds, outside financing was readily available.

Availability of Financing

Following the deregulation of financial services, banks, no longer able to carry low interest deposits, were instead attracting customers with expensive money market accounts and other high-cost funds. Bank profit margins were further weakened by the development of the commercial paper market, as corporate borrowers bypassed banks and issued commercial paper. Avoiding high risk third world loans, banks were obliged to locate new sources of high yielding income. Banks, therefore, began aggressively participating in the more lucrative area of acquisition financing.

Antitrust & Deregulation

Two government policies, the easing of antitrust rules and deregulation in selected industries, have played a significant role in stimulating merger and acquisition activity. The Justice Department's Antitrust Division instituted policies which reflect the Reagan Administration's free-market approach. Stressing the irrelevancy of size and the importance of efficiency, the Justice Department in 1982 issued its merger guidelines which permitted vertical combinations between suppliers and customers. Horizontal mergers between competitors were made easier by raising the level of market concentration at which Justice would challenge a deal. A new test of concentration, the Herfindahl index, was implemented. The test takes into account the market shares of all significant competitors, including foreign ones. Market concentration tests used by Justice prior to the Reagan Administration were based only on the market shares of the four largest competitors.

In June of 1984 the Justice Department issued revisions of its 1982 merger guidelines. The revisions clarified questions relating to foreign competition, the definition and measurement of markets, merger-related efficiencies, and divestitures of failing firms. The 1984 revisions assign market shares to foreign producers selling into U.S. markets. In defining a market, the revised guidelines place less emphasis on the 5-percent test. Under the 1982 guidelines, a market was defined as a group of products or geographic area in which a 5-percent price increase could be profitably sustained for a period of a year. The revisions allow the Justice Department to consider price increases that are either much higher or much lower. On merger- related efficiencies, the 1984 guidelines allow the department to consider efficiencies as favorable merger criteria if the merger parties demonstrate "clear and convincing evidence" that major efficiencs will result from a deal. The revisions also permit failing divisions to be sold to direct competitors if the units face liquidation in the near future and a noncompetitive acquirer can't be found.

Deregulation has been prominent in the transporation, financial, and recently, the broadcasting industries. The railroad and trucking industries have experienced major consolidations in the past few years, as relaxed ICC restrictions enhanced competition in both areas.

Financial deregulation has spurred combinations among banks, savings and loans, insurers, brokerage firms, and other financial service-oriented concerns, all competing to become financial supermarkets. Moreover, as barriers to interstate banking continued to erode, larger bank consolidations accelerated. Large regional banks are merging in order to compete with the money-center banks. Regional combinations which originated in New England, are now spreading to other parts of the country, particularly the Southeast.

In December, 1984, the Federal Communications Commission adopted a less restrictive rule governing the ownership of television and radio stations. The FCC relaxed its 7-7-7 rule—the prohibition against anyone owning more than seven TV, seven AM, and seven FM stations. The new ruling allows broadcasters to own as many as 12 stations (12 TV, 12 AM, 12 FM), as long as their combined audience reach is less than 25% each of all television viewers and radio listeners. Although the rule change wasn't adopted until December, broadcasters were preparing for some type of change throughout 1984. Anticipating a more competitive industry because of the relaxed ownership rule, broadcasters divested stations serving stagnant markets and acquired those in growth areas. At the same time, newcomers to the industry and midsize broadcast groups moved quickly with their acquisition plans in order to get a head start on the larger broadcast companies which were already at the limit. Once the rules were relaxed, the large broadcasters with seven stations would have bid on desirable stations, resulting in much higher prices. The new ownership rule goes into effect April 1, 1985, and will further stimulate acquisitions in the broadcasting industry.

1984 Trends

In addition to an acceleration of the trends that have already been identified, 1984 witnessed a number of new and significant developments. New participants in the merger-acquisition scene, such as General Motors Corp. and IBM Corp., made major strategic purchases which provided access to needed technology, broadened product lines, and expanded markets. It is not surprising that many of these strategic acquisitions were in the electronics and other high-tech fields, considering the high degree of competition within these areas. This trend will surely continue as more old line industrial manufacturers begin to pursue strategic moves into robotics, factory automation, and other advanced manufacturing technologies.

Corporate Raider/Greenmailers

The most issue laden development in 1984 merger-acquisition activity was the emergence of the corporate raider/greenmailers, aggressive investors acquiring stakes in undervalued and vulnerable companies, and forcing the managements to seek friendly merger partners or submit to greenmail. Such aggressive investors, T. Boone Pickens, Irwin L. Jacobs, Carl Icahn to name a few, have issued takeover threats and initiated hostile offers in previous years. However, the raider/greenmailers' new found power evolved from their ability to tap a new, cheap, and quick financing source, junk bond financing.

Drexel Burnham Lambert Inc., a New York investment banking firm, has brought its expertise in junk securities (low-rated, highly speculative corporate securities) into the takeover arena. Drexel can quickly raise capital for a raider through private placements of junk securities issued by the raider's "paper" company. Such securities usually promise annual investment returns of 13-30%, depending on what the raider can get for selling the assets of the target company.

Junk bond takeover financing causes the largest of companies to become vulnerable to a raider. Witness Gulf Corp. and T. Boone Pickens, who was the first to use junk securities in his attempt to gain control of the nation's sixth largest oil company. Gulf Corp. felt threatened enough to discuss merger offers with other suitors and was finally acquired by Chevron Corp. for over $13 billion.

Antitakeover Provisions on the Rise

The protracted Pickens-Gulf battle and its outcome was the biggest spur to corporate managers introducing antitakeover amendments to their company charters and bylaws. The fact that a major corporation the size of Gulf was forced into being acquired triggered a rash of antitakeover proposals and defense tactics. The most controversial, but not widely used defense strategy is the poison pill, which allows the target company to issue securities convertible into the common stock of whatever company owned it, thereby threatening dilution of the suitor's stock. Institutional investors typically vote against poison-pill proposals, with some even being challenged in court. In January, 1985, a Delaware court upheld the right of Household International Inc. to issue poison-pill warrants. The warrants are exercisable upon someone accumulating 20% of Household's shares and give Household stockholders the right to buy Household shares at about three times the current market price, or, should a hostile suitor acquire Household, warrant holders have the right to buy the hostile suitor's stock at half the market price. Upon acquiring Household, the hostile suitor would then take on Household's obligations, including honoring the warrants. A dissident Household director is appealing the ruling to the Delaware Supreme Court. The outcome of the appeal will provide signals as to what types of defenses a corporation is able to mount.

Legislative Overtures

In addition to erecting structural takeover barriers, some takeover-fearing managers have enlisted the aid of sympathetic legislators in their efforts to limit hostile offers. Consequently, a number of bills have recently been introduced to thwart raiders and hostile takeovers. Republican Senator Domenici has proposed a temporary ban on unfriendly takeovers financed with junk bonds. Democratic Congressman Rodino has introduced a bill that would require disclosure by the acquirer of the social ramifications of takeovers, while Democratic Senator Proxmire advocates new rules that would eliminate all acquisitions not endorsed by the target company's directors.

Shareholder Advocacy

Meanwhile, shareholders are uniting to oppose the payment of greenmail and other management actions that prevent shareholders from participating in the decision-making process. Wanting more control over the way corporate managements react to takeover attempts, California State Treasurer Unruh formed the Council of Institutional Investors. Organized in January, 1985, the Council includes a group of 22 public employee pension funds which control more than $100 billion in pension assets. The organization intends to take an activist role in determining the course of future takeover bids. The 1985 takeover stage is set for a showdown between managers protecting their positions and shareholders demanding maximum returns on their investment.

Expectations for 1985

Fear of raiders and hostile takeovers will continue to motivate companies to restructure their operations before a raider does it for them. Managers will critically review their business units and institute corresponding asset redeployment programs. Following its 1984 divestiture of Continental Baking Co., ITT Corp. in early 1985 announced plans to sell its natural-resources and industrial-products businesses. A product of the conglomerate merger wave in the 1960s, ITT is redeploying its assets into the U.S. telecommunications market. With the economy transforming from a manufacturing-based system to one dominated by service-oriented and high-tech industries, divestitures of units in smokestack industries will continue. Because of the conglomerates' concentration in the older manufacturing industries, restructuring programs will increase among large diversified companies.

In view of the increase in hostile takeovers and raider/greenmail tactics, going private transactions in 1984 were increasingly utilized by target companies as an effective defensive strategy. Given the new tax advantages for lenders who loan to ESOPs, more buyouts through ESOPs may be executed for defensive purposes.

Target Industries

Acquisition activity in the coming year should accelerate in the electronics and high-tech sector. Due to the number of companies that went public a few years ago with just a single product line and with technologies that quickly become obsolete, industry shakeouts are inevitable. For instance, the entire data-processing industry, particularly the technologically immature software and service segment, is going through a continuing shakeout. Larger companies are making acquisitions to enter new markets or to expand their product offerings, while the smaller acquisition candidates require the capital and marketing resources possessed by the larger acquirers.

Whereas the software sector undergoes consolidation to accommodate a fast growing industry, the already mature hardware segment will consolidate as the number of players becomes too large for the market's growth rate. Mainframe hardware companies, such as Honeywell and NCR, are vulnerable because their customer base is switching to IBM and IBM-compatible machines.

With the collapse of the traditional technological and regulatory barriers between telecommunications and data-processing, acquisitions will become as important as internal development. The required resources for the growing telecommunications industry are so great that it will result in some combinations of companies in order to meet new capital-expenditure requirements.

Other industries that will surely experience increased activity and major consolidations are Drugs, Medical Equipment & Supplies manufacturing and Health Services. Due to government and private efforts to control medical costs, hospitals are cutting expenses in response to declining occupancy rates. In turn this is causing plunging sales and profits among medical equipment and drug producers. Through acquisitions, joint ventures, and other arrangments, health care manufacturing companies will join forces with insurers, health professionals, and health-service oriented concerns to offer more comprehensive services in what is becoming a large, centralized and more competitive health care industry.

Tax Reform Consequences

A critical development to watch in the coming year is the battle over tax reform. The Treasury's tax plan is considering taxing all forms of capital gains as ordinary income. Should Congress eliminate the differential between capital-gains taxes and ordinary income, a surge in sales of privately-held businesses could erupt as owners try to maximize their net after tax proceeds by selling before the tax plan becomes effective.

Another unknown factor that could affect merger and acquisition activity deals with the substantial number of companies that have tightened their defenses. Depending on the effectiveness of these takeover deterrents, acquisition activity, especially hostile offers, may begin to decline.

Activity in 1985 will depend on the continuing availability of attractive acquisition candidates, financing and further industry transitions. Barring any sudden changes in general economic conditions, factors that stimulated 1984 activity should continue, resulting in no significant change from the 1984 merger and acquisition total.

TWENTY-TWO YEAR STATISTICAL REVIEW

		1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Net M & A Announcements		1,361	1,950	2,125	2,377	2,975	4,462	6,107	5,152	4,608	4,801	4,040
Total Dollar Value Paid *(billions of dollars)*		*	*	*	*	*	43.6	23.7	16.4	12.6	16.7	16.7
$100 Million–Plus Deals		*	*	*	*	*	46	24	10	7	15	28
Method of Payment	Cash	*	64%	67%	60%	36%	29%	32%	29%	32%	34%	41%
	Stock	*	36%	30%	35%	60%	62%	57%	52%	49%	51%	44%
	Combination	*	*	3%	5%	4%	9%	11%	16%	17%	14%	14%
	Debt	#	#	#	#	#	#	#	3%	2%	1%	1%
Divestitures		*	*	191	264	328	557	801	1,401	1,920	1,770	1,557
Acquisitions of Publicly Traded Sellers		*	*	*	*	*	*	*	*	*	*	*
Acquisitions of Privately Held Sellers		*	*	*	*	*	*	*	*	*	*	*
Total Foreign Sellers		*	*	*	*	*	*	*	*	*	531	323
Total Foreign Buyers		*	*	*	*	*	*	*	*	*	88	143
Average P/E Paid		*	20.7	19.4	16.5	17.6	24.6	21.0	23.1	24.3	21.4	18.9
Average Premium Paid Over Market		*	*	*	*	*	25.1	25.7	33.4	33.1	33.8	44.5
Cancelled Transactions		*	*	*	*	*	*	620	527	332	315	324

**Item not tracked during that year.*

 # A separate count for debt payments began in 1970.

TWENTY-TWO YEAR STATISTICAL REVIEW (Continued)

		1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Net M & A Announcements		2,861	2,297	2,276	2,224	2,106	2,128	1,889	2,395	2,346	2,533	2,543
Total Dollar Value Paid *(billions of dollars)*		12.5	11.8	20.0	21.9	34.2	43.5	44.3	82.6	53.8	73.1	122.2
$100 Million–Plus Deals		15	14	39	41	80	83	94	113	116	138	200
Method of Payment	Cash	48%	48%	52%	54%	46%	53%	47%	42%	38%	32%	43%
	Stock	33%	27%	26%	26%	30%	26%	31%	34%	29%	35%	26%
	Combination	16%	23%	20%	18%	23%	20%	21%	23%	31%	33%	30%
	Debt	3%	2%	2%	2%	1%	1%	1%	1%	2%	—	1%
Divestitures		1,331	1,236	1,204	1,002	820	752	666	830	875	932	900
Acquisitions of Publicly Traded Sellers		68	130	163	193	260	248	173	168	180	190	211
Acquisitions of Privately Held Sellers		*	*	856	971	969	1,049	988	1,330	1,222	1,316	1,351
Total Foreign Sellers		257	178	126	112	98	119	102	101	121	146	147
Total Foreign Buyers		173	184	178	162	199	236	187	234	154	125	151
Average P/E Paid		13.5	13.3	15.1	13.8	14.3	14.3	15.2	15.6	13.9	16.7	17.2
Average Premium Paid Over Market		50.1	41.4	40.4	40.9	46.2	49.9	49.9	48.0	47.4	37.7	37.9
Cancelled Transactions		308	267	177	150	171	219	178	163	189	162	218

**Item not tracked during that year.*

THE W. T. GRIMM & CO. RECORD HOLDERS

Item	Record	Year Attained
Net Merger & Acquisition Announcements	6,107	1969
Total Dollar Value Paid	$122.2 billion	1984
$100 Million-Plus Deals	200	1984
Cash Payments	67%	1965
Stock Payments	62%	1968
Combination Payments	33%	1983
Divestitures	1,920	1971
Acquisitions of Publicly Traded Sellers	260	1976
Acquisitions of Privately Held Sellers	1,351	1984
Foreign Sellers	531	1972
Foreign Buyers	236	1979
Average P/E Paid	24.6X	1963
Average Premium Paid Over Market	50.1%	1974

Buyer Seller	Price Paid (millions)	Year Announced
Selected Acquisition Record Holders		
Largest Acquisitions in U.S. Corporate History		
1. Chevron Corp. Gulf Corp.	$13,205.6	1984
2. Texaco Inc. Getty Oil Co.	10,128.9	1984
3. DuPont Co. Conoco, Inc.	8,039.8	1981
Largest Acquisitions of Publicly Traded Sellers		
1. Chevron Corp. Gulf Corp.	13,205.6	1984
2. Texaco Inc. Getty Oil Co.	10,128.9	1984
3. DuPont Co. Conoco, Inc.	8,039.8	1981
Largest Statutory Mergers		
1. Santa Fe Industries, Inc. Southern Pacific Co.	5,099.1	1983
2. Connecticut General Corp. INA Corp.	4,211.7	1981
3. Kraft Inc. Dart Industries Inc.	2,400.0	1980
Largest Acquisitions of Privately Owned Sellers		
1. Shell Oil Co. Belridge Oil Co.	3,653.0	1979
2. International Paper Co. Bodcaw Co.	805.0	1979
3. Private—Donald Bren Irvine Co. (86%)	500.0	1983
Largest Divestitures		
1. Broken Hill Proprietary Co.—Australia General Electric Co. (Utah International Inc.)	2,400.0	1983
2. Sun Co., Inc. Seagram Co. Ltd.—Canada (Texas Pacific Oil Co.)	2,300.0	1980
3. Phillips Petroleum Co. R. J. Reynolds Industries, Inc. (Energy Operations)	1,700.0	1984
Largest Acquisitions of U.S. Companies by Foreign Buyers		
1. Royal Dutch/Shell Group—Netherlands Shell Oil Co.—remaining 30.5%	5,467.9	1984
2. Societe Nationale Elf Aquitaine—France Texasgulf, Inc.	4,293.7	1981
3. Nestle S.A.—Switzerland Carnation Co.	2,885.4	1984

Buyer Seller	Price Paid (millions)	Year Announced
Largest Acquisitions of Foreign Companies by U. S. Buyers		
1. Sun Co., Inc. Seagram Co. Ltd.—Canada (Texas Pacific Oil Co.)	$ 2,300.0	1980
2. Superior Oil Co. Canadian Superior Oil Ltd.— Canada remaining 47%	576.4	1979
3. Marsh & McLennan C. T. Bowring & Co.—Britain	554.7	1980
Largest Going Private Transactions		
1. Private Group—Metromedia's mgmt. Metromedia, Inc.	1,476.9	1983
2. Private Group—ARA's mgmt. ARA Services Inc.	873.2	1984
3. Private Group—led by Kohlberg, Kravis Wometco Enterprises Inc.	810.0	1983
Largest Unit Management Buyouts		
1. Private Group—led by Kohlberg, Kravis City Investing Co. (Rheem Mfg. Co., World Color Press Inc., Uarco Inc.)	1,251.0	1984
2. Private Group—unit's mgmt. DuPont Co. (certain chemical assets)	600.0	1983
3. Private Group—led by Kohlberg, Kravis City Investing Co. (Motel 6 Inc.)	565.0	1984
Largest Cancellations		
1. Mobil Corp. Conoco, Inc.	8,845.8	1981
2. Mobil Corp. Marathon Oil Co.	6,361.7	1981
3. Pennzoil Co. and Sarah C. Getty Trust Getty Oil Co. (remaining 59.8%)	5,323.6	1984

Industry Record Holders

Agricultural Production

1. Loews Theatres Lorillard Corp.	727.4	1968
2. Private Group Gulf & Western Industries Inc. (all sugar operations in Florida and Dominican Republic)	200.0	1984
3. Sandoz Ltd. Northrup, King & Co.	186.7	1976

Buyer Seller	Price Paid (millions)	Year Announced
Food Processing		
1. Nestle S.A.—Switzerland Carnation Co.	$ 2,885.4	1984
2. Beatrice Foods Co. Esmark Inc.	2,508.6	1984
3. Nabisco, Inc. Standard Brands Inc.	1,827.1	1981
Beverages		
1. Beatrice Foods Co. Northwest Industries, Inc. (Beverage Group)	600.0	1981
2. Private Group Dr. Pepper Co.	512.2	1983
3. Stroh Brewing Co. Schlitz Brewing Co.	494.1	1982
Apparel		
1. Private Group Blue Bell, Inc.	522.3	1984
2. VF Corp. Bassett-Walker, Inc.	290.0	1984
3. Consolidated Foods Corp. Hanes Corp.	248.2	1978
Textiles		
1. Pacific Holding Corp. Cannon Mills Co.	412.8	1982
2. Private Group Cone Mills Corp.	385.1	1983
3. Private Group Albany International Corp.	270.4	1983
Timber & Forest Products		
1. Champion International Corp. St. Regis Corp.	1,813.7	1984
2. International Paper Co. Bodcaw Co.	805.0	1979
3. Kohlberg, Kravis, Roberts & Co. Bendix Corp. (Forest Products Group)	435.0	1980
Paper		
1. Canadian Pacific Enterprises—Canada International Paper Co. (Canadian International Paper Co.)	880.0	1981
2. Johns-Manville Corp Olinkraft, Inc.	581.2	1978
3. James River Corp. American Can Co. (Dixie towel, tissue and folding carton businesses)	420.0	1982

Buyer / Seller	Price Paid (millions)	Year Announced
Packaging & Containers		
1. Kiewit-Murdock Investment Co. Continental Group Inc.	$ 2,482.0	1984
2. Fort Howard Paper Co. Maryland Cup Corp.	535.1	1983
3. Stone Container Corp. Continental Group, Inc. (most of the containerboard & kraft paper operations)	390.0	1983
Furniture		
1. Fibic Corp. Congoleum Corp.	446.6	1979
2. Interco, Inc. Broyhill Furniture	151.5	1980
3. Interco, Inc. Ethan Allen, Inc.	145.7	1979
Building Products & Materials		
1. U. S. Gypsum Co. Masonite Corp.	377.9	1984
2. Genstar Ltd. Flintkote Co.	305.8	1979
3. Clevepak Corp. Interpace Corp.	138.5	1983
Household Goods		
1. Brown-Forman Distillers Corp. Lenox, Inc.	814.3	1983
2. Allegheny International Inc. Sunbeam Corp.	475.7	1981
3. Private Group Purex Industries Inc.	357.0	1982
Printing & Publishing		
1. Gulf & Western Industries Inc. Prentice-Hall Inc.	705.3	1984
2. Private Group Harte-Hanks Communications Inc.	526.3	1984
3. Private Group SFN Cos.	470.5	1984
Chemicals, Paints & Coatings		
1. Imperial Chemical Industries PLC—Britain Beatrice Cos. (Chemical operations)	750.0	1984
2. Avon Products, Inc. Mallinckrodt, Inc.	709.5	1981
3. Occidental Petroleum Corp. Hooker Chemical Co.	635.1	1968

Buyer Seller	Price Paid (millions)	Year Announced
Drugs, Medical Supplies & Equipment		
1. Schering Corp. Plough Inc.	$ 1,428.6	1970
2. Warner-Lambert Co. Imed Corp.	465.0	1982
3. Colgate-Palmolive Co. Kendall Co.	433.3	1972
Toiletries & Cosmetics		
1. Norton Simon, Inc. Max Factor & Co.	474.2	1972
2. McGregor Corp. Faberge, Inc.	179.8	1984
3. Squibb Beech-nut, Inc. Lanvin-Charles-Ritz	177.7	1970
Plastics & Rubber		
1. Private Group American Cyanamid Co. (Formica plastic laminate business)	200.0	1984
2. Occidental Petroleum Corp. Firestone Tire & Rubber Co. (Firestone Plastics Co.)	200.0	1980
3. Private Gruup Owens-Illinois Inc. (major portion of Lily Division)	150.0	1981
Stone, Clay & Glass		
1. Kennecott Copper Carborundum Co.	525.1	1977
2. California Portland Cement Co. Conrock Co.	358.0	1984
3. Canada Cement Lafarge Ltd.—Canada General Portland Inc.	325.6	1981
Primary Metal Processing		
1. LTV Corp. Republic Steel Corp.	744.8	1983
2. Atlantic Richfield Co. Anaconda Co.	678.9	1976
3. LTV Corp. Jones & Laughlin Industries Inc. (63%)	425.0	1968
Fabricated Metal Products		
1. Household International Inc. Wallace Murray Corp.	332.0	1981
2. International Telephone & Telegraph Corp. Grinnell Corp.	251.2	1968
3. Armco, Inc. Ladish Co.	248.9	1981

Buyer Seller	Price Paid (millions)	Year Announced
Industrial & Farm Machinery/Equipment		
1. Wheelabrator-Frye Inc. Pullman, Inc.	$ 584.6	1980
2. American Standard, Inc. Trane Co.	511.3	1983
3. Caterpillar Tractor Cc. International Harvester Co. (Solar Turbines International Division)	505.0	1981
Construction Mining & Oil Field Machinery/Equipment		
1. Cooper Industries Inc. Gardner-Denver Co.	629.3	1979
2. Esco Corp. Hyster Co.	340.5	1983
3. Penn Central Corp. Marathon Manufacturing Co.	333.9	1979
Valves, Pumps & Hydraulics		
1. McGraw-Edison Co. Studebaker-Worthington Inc.	727.8	1979
2. Reading Co. Gould, Inc. (Industrial Products Group)	380.0	1981
3. Libbey-Owens-Ford Co. Sperry Corp. (Vickers unit)	265.0	1983
Autos & Trucks		
1. Toyo Kogyo Ltd.—Japan Ford Motor Co. (Ford Industries Co.)	400.0	1979
2. Daimler Benz—West Germany Consolidated Freightways Inc. (Freightliner Corp.)	255.0	1981
3. LTV Corp. American Motors Corp. (AM General Corp.)	170.0	1983
Automotive Products & Accessories		
1. P.S.A. Peugeot Citroen—France Chrysler Corp. (all its European car & truck-making operations)	426.0	1978
2. Thyssen AG—West Germany Budd Co.	245.9	1978
3. American Standard Inc. Westinghouse Air Brake Co.	207.0	1968

Buyer Seller	Price Paid (millions)	Year Announced
Electrical Equipment		
1. IBM Corp. Rolm Corp.	$ 1,245.8	1984
2. Exxon Corp. Reliance Electric Co.	1,160.0	1979
3. Reliance Electric Co. UV Industries Inc. (light bulb & lamp business)	345.0	1978
Office Equipment & Computer Hardware		
1. Xerox Corp. Scientific Data Systems Inc.	999.9	1969
2. Harris Corp. Lanier Business Products Inc.	358.0	1983
3. American Telephone & Telegraph Corp. Ing. C. Olivetti & Co.—Italy (25%)	260.0	1983
Electronics		
1. Penn Central Corp. GK Technologies, Inc.	699.6	1981
2. Signal Cos. Ampex Corp.	431.6	1980
3. United Technologies Corp. Mostek Corp.	364.8	1979
Aerospace, Aircraft & Defense		
1. Bendix Corp. Martin Marietta Corp. (70%)	1,118.3	1982
2. IC Industries Inc. Pneumo Corp.	560.2	1984
3. Raytheon Co. Beech Aircraft Corp.	526.6	1979
Instruments & Photographic Equipment		
1. SmithKline Corp. Beckman Instruments Inc.	1,045.1	1981
2. Litton Industries Inc. Itek Corp.	238.5	1983
3. Monsanto Co. Fisher Governor Co.	130.6	1969
Toys & Recreational Products		
1. Hasbro Industries Inc. Milton Bradley Co.	352.0	1984
2. Private—J. Tramiel Warner Communications, Inc. (Atari Inc.)	240.0	1984

Buyer Seller	Price Paid (millions)	Year Announced
Miscellaneous Manufacturing		
1. Hallmark Cards, Inc. Binney & Smith, Inc.	$ 203.8	1984
2. Textron, Inc. Talon, Inc.	203.8	1968
3. Talley Industries, Inc. General Time Corp.	124.7	1969
Oil & Gas		
1. Chevron Corp. Gulf Corp.	13,205.6	1984
2. Texaco, Inc. Getty Oil Co.	10,128.9	1984
3. DuPont Co. Conoco, Inc.	8,039.8	1981
Mining & Minerals		
1. Societe Nationale Elf Aquitaine—France Texasgulf, Inc.	4,293.7	1981
2. Fluor Corp. St. Joe Minerals Corp.	2,694.2	1981
3. Broken Hill Proprietary Co.—Australia General Electic Co. (Utah International Inc.)	2,400.0	1983
Transportation		
1. Santa Fe Industries Inc. Southern Pacific Co.	5,099.1	1983
2. Southern Railway Norfolk & Western Railway	1,730.2	1980
3. Chessie System Inc. Seaboard Coast Line Industries Inc.	1,037.5	1978
Communications		
1. GTE Corp. Southern Pacific Co. (Sprint and Spacenet units)	750.0	1982
2. Mid-Continent Telephone Co. Allied Telephone Co.	434.9	1983
3. American Telephone & Telegraph Corp. Pacific Telephone & Telegraph Co. (remaining 9%)	406.3	1981
Broadcasting		
1. Private Group Metromedia, Inc.	1,467.9	1983
2. Westinghouse Electric Corp. Teleprompter Corp.	645.6	1980
3. A. H. Belo Corp. Dun & Bradstreet Corp. (Corinthian Broadcasting Group)	606.0	1983

Buyer Seller	Price Paid (millions)	Year Announced
Electric, Gas, Water & Sanitary Services		
1. Waste Management Inc. and Genstar Corp. SCA Services, Inc.	$ 407.2	1984
2. Continental Group, Inc. Florida Gas Co.	319.7	1979
3. American Electric Power Co. Columbus & Southern Ohio Electric Co.	273.0	1980
Wholesale & Distribution		
1. Private Group Malone & Hyde, Inc.	548.3	1984
2. Genuine Parts Co. General Automotive Parts Corp.	250.2	1981
3. Distillers Co.—Britain Esmark, Inc. (Somerset Importers Ltd.)	250.0	1984
Retail		
1. Mobil Corp. Marcor, Inc.	1,687.2	1974 & 1976
2. Texas Eastern Corp. Petrolane, Inc.	1,044.5	1984
3. American Stores Co. Jewel Cos.	875.4	1984
Banking & Finance		
1. Manufacturers Hanover Corp. RCA Corp. (C.I.T. Financial Corp.)	1,510.0	1983
2. RCA Corp. C.I.T. Financial Corp.	1,350.0	1979
3. Sun Banks, Inc. Trust Co. of Georgia	1,191.8	1984
Insurance		
1. Connecticut General Corp. INA Corp.	4,211.7	1981
2. American General Corp. NLT Corp.	1,593.7	1982
3. Xerox Corp. Crum & Forster	1,572.3	1982

Buyer Seller	Price Paid (millions)	Year Announced
Real Estate		
1. Private—Donald Brent Irvine Co. (86%)	$ 500.0	1983
2. Olympia & York Development Ltd.—Canada National Kinney Corp. (9 office buildings)	350.0	1976
3. Trammell Crow Co. Jack A. Benaroya Co.	300.0	1984
Brokerage, Investment & Management Consulting Services		
1. American Express Co. Shearson Loeb Rhoades, Inc.	943.0	1981
2. American Express Co. Alleghany Corp. (Investors Diversified Services, Inc.)	829.1	1983
3. Sears Roebuck & Co. Dean Witter Reynolds Organization Inc.	607.0	1981
Computer Software, Supplies & Services		
1. General Motors Corp. Electronic Data Systems Corp.	2,545.6	1984
2. McDonnell Douglas Corp. Tymshare, Inc.	305.7	1984
3. Schlumberger, Ltd. Manufacturing Data Systems, Inc.	184.6	1980
Construction Contractors & Engineering Services		
1. Boise-Cascade Corp. Ebasco Industries Inc.	593.4	1969
2. Private Group Parsons Corp. (remaining 71%)	546.9	1984
3. Natomas Co. Magma Power Co.	449.5	1981
Energy Services		
1. Kuwait Petroleum Corp.—Kuwait Santa Fe International Corp.	2,486.1	1981
2. Schlumberger, Ltd. Sedco, Inc.	1,055.9	1984
3. Aetna Life & Casualty Co. Geosource, Inc. (remaining 71%)	609.7	1982

Buyer Seller	Price Paid (millions)	Year Announced
Health Services		
1. American Medical International Inc. Lifemark Corp.	$ 1,144.5	1983
2. Hospital Corp. of America INA Corp. (Hospital Affiliates International)	650.0	1981
3. Private Group—led by W. R. Grace & Co. National Medical Care Inc.	351.6	1984
Leisure & Entertainment		
1. Private—Marvin Davis Twentieth Century-Fox Film Corp.	683.4	1979
2. Private Group Denny's Inc.	663.7	1984
3. Coca-Cola Co. Columbia Pictures Industries Inc.	629.7	1982
Miscellaneous Services		
1. Dun & Bradstreet Corp. A. C. Nielsen Co.	1,571.2	1984
2. Marmon Group TransUnion Corp.	683.5	1980
3. Baldwin-United Corp. Sperry-Hutchinson Co.	329.3	1981
Conglomerate		
1. Kraft, Inc. Dart Industries Inc.	2,400.0	1980
2. Allied Corp. Bendix Corp.	1,334.8	1982
3. Private Group City Investing Co. (Rheem Mfg. Co., World Color Press, Inc., Uarco Inc.)	1,251.0	1984

MERGERSTAT® INDUSTRY ANALYSIS

The following statistics are provided for each of the 50 seller-based W. T. Grimm & Co. industry classifications:

Net Announcements — the total number of completed or pending transactions as of 12/31/84.

VALUATION OF TRANSACTIONS

Price Paid — the total dollar value paid expressed in millions of dollars.

Base — the number of transactions disclosing a purchase price, i.e., the base on which total dollar value was tabulated.

Price/Earnings Paid — the average P/E paid.

Base — the number of transactions disclosing the seller's earnings, i.e., the base on which average P/E paid was computed.

Percent Premium Paid — the average premium paid over sellers' market prices five business days prior to the initial announcement.

Base — the number of transactions where a premium paid over market was computed.

METHOD OF PAYMENT

Cash — the number of transactions where cash was used as payment.

Stock — the number of transactions where stock was used as payment.

Combination — the number of transactions where a combination of cash, stock and/or debt was used.

Debt — the number of transactions where straight and/or convertible debt was used.

Divestitures — the number of divisional/partial sales; divestiture figure is included in net announcements.

Foreign Buyers — the number of transactions involving foreign buyers.

FULL YEAR — 1984

Industry Classification of Seller	Net Announcements	VALUATION OF TRANSACTIONS						METHOD OF PAYMENT				Divestitures	Number Foreign Buyers
		Price Paid (Millions)	Base	Price/Earnings Paid	Base	Percent Premium Paid	Base	Cash	Stock	Combination	Debt		
Agricultural Production	19	$ 453.1	7	10.1X	1	14.0%	1	4	3	1	—	10	2
Food Processing	58	7,094.8	26	13.7	10	40.1	6	17	1	3	2	29	8
Beverages	21	853.9	10	15.5	2	46.6	3	7	—	1	—	8	—
Apparel	34	1,392.2	17	12.4	11	29.4	9	14	—	3	—	6	2
Textiles	12	91.0	9	8.6	2	35.7	1	3	—	4	—	6	1
Timber & Forest Products	7	2,297.2	5	25.9	2	39.9	2	1	—	3	—	2	—
Paper	16	387.0	4	—	—	—	—	2	—	—	1	10	4
Packaging & Containers	22	3,089.4	9	18.3	3	45.4	3	3	2	2	—	16	2
Furniture	17	169.5	6	—	—	—	—	2	—	4	—	5	2
Building Products & Materials	29	621.2	13	14.0	3	17.5	3	3	1	4	—	10	2
Household Goods	30	802.7	14	11.1	5	25.7	3	9	2	4	—	17	3
Printing & Publishing	67	2,863.9	19	17.7	5	72.0	4	8	4	7	—	24	3
Chemicals, Paints & Coatings	79	2,629.9	29	15.2	5	23.7	2	14	4	4	—	43	8
Drugs, Medical Supplies & Equipment	61	708.1	25	21.8	4	38.3	2	6	14	10	—	19	4
Toiletries & Cosmetics	11	516.4	7	22.9	3	34.3	2	3	—	2	—	5	—
Plastics & Rubber	39	462.4	14	19.4	3	66.0	3	8	3	5	—	19	3
Stone, Clay & Glass	27	764.4	11	16.4	2	33.6	1	4	2	3	—	17	5
Primary Metal Processing	43	1,073.8	24	14.2	3	29.2	4	10	2	5	—	30	5
Fabricated Metal Products	42	180.4	9	—	—	—	—	3	1	4	—	25	1
Industrial & Farm Machinery/Equipment	93	1,635.6	30	16.3	5	51.0	7	15	3	10	—	47	3
Construction, Mining & Oil Field Machinery/Equipment	12	376.2	8	57.5	1	10.5	1	5	—	1	—	7	2
Valves, Pumps & Hydraulics	23	556.0	10	20.7	3	40.9	4	9	1	3	—	7	—
Autos & Trucks	3	2.3	1	—	—	—	—	—	—	1	—	1	1
Automotive Products & Accessories	26	190.4	5	6.9	1	—	—	2	—	1	—	11	1
Electrical Equipment	50	1,978.4	15	24.0	5	19.5	5	9	5	2	1	22	2
Office Equipment & Computer Hardware	55	820.0	28	17.7	4	43.5	5	8	20	9	—	17	4

(Continued on following page)

FULL YEAR — 1984 (Continued)

Industry Classification of Seller	Net Announcements	VALUATION OF TRANSACTIONS						METHOD OF PAYMENT				Divestitures	Number Foreign Buyers
		Price Paid (Millions)	Base	Price/Earnings Paid	Base	Percent Premium Paid	Base	Cash	Stock	Combination	Debt		
Electronics	67	$ 290.1	20	12.8X	1	57.9%	3	11	9	9	1	18	3
Aerospace, Aircraft & Defense	22	812.1	9	17.0	3	64.2	3	5	4	2	—	4	1
Instruments & Photographic Equipment	71	196.8	26	19.2	4	33.3	1	13	6	6	1	25	4
Toys & Recreational Products	28	762.3	10	46.7	2	14.3	1	4	4	1	1	9	1
Miscellaneous Manufacturing	37	336.4	12	15.2	2	10.9	1	3	3	7	—	16	2
Oil & Gas	102	42,981.8	66	20.5	19	32.7	19	25	24	16	—	37	16
Mining & Minerals	12	346.7	7	10.9	2	11.9	1	2	2	2	—	6	2
Transportation	36	1,251.8	19	11.2	4	40.3	3	6	1	5	—	17	4
Communications	24	123.1	7	30.3	1	5.6	1	2	5	1	—	5	2
Broadcasting	83	1,917.9	49	40.0	1	32.4	1	13	2	9	—	59	—
Electrical, Gas, Water & Sanitary Services	13	737.1	8	11.4	1	153.3	1	2	6	1	—	3	—
Wholesale & Distribution	143	1,651.8	43	17.8	8	34.2	5	20	15	18	—	37	7
Retail	130	6,673.2	60	16.4	23	35.9	23	38	8	19	—	45	12
Banking & Finance	251	5,846.3	140	13.3	24	53.9	12	42	53	41	2	45	1
Insurance	66	3,005.9	34	15.7	6	42.8	5	11	11	9	—	32	6
Real Estate	27	1,132.2	15	8.7	5	—	—	3	3	10	—	5	—
Brokerage, Investment & Management Consulting Services	86	1,460.3	23	11.2	5	22.8	4	11	3	6	1	25	6
Computer Software, Supplies & Services	118	3,766.4	44	25.6	8	48.9	7	17	18	17	—	26	3
Construction Contractors & Engineering Services	29	799.7	8	9.0	5	29.0	4	6	1	2	—	9	1
Energy Services	19	2,546.2	12	38.0	2	34.4	4	3	4	4	—	6	2
Health Services	86	1,687.9	38	20.4	9	36.2	5	18	14	16	—	11	2
Leisure & Entertainment	41	2,580.7	21	18.4	8	31.1	6	9	3	3	3	15	1
Miscellaneous Services	138	2,323.9	42	15.0	7	32.2	6	22	12	15	—	30	5
Conglomerate	18	6,982.9	16	18.0	13	35.0	12	10	2	5	—	2	2
Totals & Averages	**2,543**	**$122,223.7**	**1,084**	**17.2X**	**246**	**37.9%**	**199**	**465**	**281**	**320**	**13**	**900**	**151**

MERGERSTAT INDUSTRY CLASSIFICATIONS

The WTG industry classifications are based on the Standard Industrial Classification (S.I.C.) code numbers. For the convenience of subscribers, we list below the WTG industry categories along with the corresponding S.I.C. code numbers.

WTG Mergerstat Industry	S.I.C. Code Numbers
01—Agricultural Production	0111-0783, 0900s, 2100s
02—Food Processing	2011-2079, 2087-2099
03—Beverages	2082-2086
04—Apparel	2311-2389, 3021, 3131-3172
05—Textiles	2211-2299, 2393, 2395, 2397, 2399
06—Timber & Forest Products	2421-2431, 2435-2439, 2491, 2492, 0800s
07—Paper	2611-2649
08—Packaging & Containers	2441, 2448, 2449, 2651-2655, 3221, 3411
09—Furniture	2434, 2500s
10—Building Products & Materials	2451, 2452, 2661, 3442, 3446, 3448, 3996
11—Household Goods	2391, 2392, 2841, 2842, 3261, 3262, 3263, 3421, 3631-3636, 3639, 3651, 3914
12—Printing & Publishing	2700s
13—Chemicals, Paints & Coatings	2812-2821, 2824, 2843, 2851-2899
14—Drugs, Medical Supplies & Equipment	2830s, 3693, 3841-3851
15—Toiletries & Cosmetics	2844
16—Plastics & Rubber	2822, 2823, 3031-3079
17—Stone, Clay & Glass	3211, 3229-3259, 3269-3299, 1422, 1423, 1429, 1442, 1446
18—Primary Metal Processing	3300s
19—Fabricated Metal Products	3412, 3423-3441, 3443, 3444, 3449-3463, 3466-3493, 3495-3499
20—Industrial & Farm Equipment & Machinery	3511, 3519, 3523, 3524, 3534-3559, 3562-3569, 3581-3585, 3589, 3599
21—Construction, Mining & Oil Field Machinery & Equipment	3531, 3532, 3533
22—Valves, Pumps & Hydraulics	3494, 3561, 3586
23—Autos & Trucks	3711, 3713, 3715
24—Automotive Products & Accessories	2396, 3011, 3465, 3592, 3714
25—Electrical Equipment	3264, 3612-3629, 3641-3648, 3661, 3662, 3691, 3692, 3694, 3699
26—Office Equipment & Computer Hardware	3570s
27—Electronics	3671-3679
28—Aerospace, Aircraft & Defense	3721-3728, 3761-3769
29—Instruments & Photographic Equipment	3811-3829, 3861
30—Toys & Recreational Products	3652, 3732, 3751, 3792, 3931-3949
31—Miscellaneous Manufacturing	3911, 3915, 3951-3995, 3999
32—Oil & Gas	1311, 1321, 2911, 2992, 2999, 4612, 4613, 4619
33—Mining & Minerals	1011-1213, 1452-1499
34—Transportation	4011-4214, 4411-4583, 4712
35—Communications	4811, 4821, 4899
36—Broadcasting	4832, 4833
37—Electric, Gas, Water & Sanitary Services	4900s
38—Wholesale & Distribution	5000s, 5100s
39—Retail	5200s, 5300s, 5400s, 5500s, 5600s, 5700s, 5900s
40—Banking & Finance	6000s, 6100s
41—Insurance	6300s, 6411
42—Real Estate	6500s
43—Brokerage, Investment & Management Consulting Services	6200s, 6700s, 7392, 8931
44—Computer Software, Supplies & Services	7372, 7374, 7379
45—Construction Contractors & Engineering Services	1500s, 1600s, 1700s, 2411, 8911
46—Energy Services	1381, 1382, 1389
47—Health Services	8000s
48—Leisure & Entertainment	5812, 5813, 7000s, 7313, 7800s, 7900s
49—Miscellaneous Services	7200s, 7311, 7312, 7319, 7321-7369, 7391, 7393-7399, 7500s, 7600s, 8111, 8200s, 8300s, 8400s, 8600s, 8922
50—Conglomerate	diversified in three or more areas